



Agenda

Meeting: **Council**
Date: **19 February 2020**
Time: **7.00 pm**
Place: **Council Chamber - Civic Centre Folkestone**

To: **All Members of the Council**

YOU ARE HEREBY SUMMONED to attend a meeting of the Council on the date and at the time and place shown above. The meeting will be open to the press and public.

Anyone who wishes to have information on any matter arising on the Agenda which is not fully covered in these papers is requested to give notice prior to the meeting to the Chairman or appropriate officer.

This meeting will be webcast live to the council's website at <https://folkestone-hythe.public-i.tv/core/portal/home>. Although unlikely, no guarantee can be made that Members of the public in attendance will not appear in the webcast footage. It is therefore recommended that anyone with an objection to being filmed does not enter the council chamber.

Head of Paid Service

1. **Apologies for Absence**
2. **Declarations of Interest (Pages 5 - 6)**

Members of the Council should declare any discloseable pecuniary

Queries about the agenda? Need a different format?

Contact Jemma West – Tel: 01303 853369
Email: committee@folkestone-hythe.gov.uk or download from our
website
www.folkestone-hythe.gov.uk

interest or any other significant interests in any item/s on this agenda.

3. **Minutes (Pages 7 - 10)**

To receive the minutes of the meeting of the council held on 29 January 2020 and to authorise the Chairman of the Council to sign them as a correct record.

4. **Chairman's Communications**

5. **Petitions**

There are no petitions to be presented.

6. **Questions from the Public**

1. **From Mrs Lawes to Councillor Mrs Hollingsbee, Deputy Leader and Cabinet Member for Communities**

Following a briefing to district councillors in 2016/17 about Community Led Local Developments (CLLD). Now known as Folkestone Community works.

Councillors from the deprived wards of Harbour, East Folkestone and Central were assured that jobs would be created for long term unemployed. With the amount of funding so far distributed from Folkestone Community fund of £2.9 million to a number of New businesses.

Could you let me know how many long term unemployed have gained employment if any, and what type of employment ie: part time, full time or seasonal, zero hours minimum wage?

7. **Questions from Councillors**

(Questions can be found on www.folkestone-hythe.gov.uk from noon 2 days before the meeting, on Modern.gov, under the agenda for this meeting).

Up to 45 minutes is allowed for questions from councillors.

8. **Announcements of the Leader of the Council**

To receive a report from the Leader of the Council on the business of the cabinet and on matters that the leader considers should be drawn to the council's attention. The leader shall have 10 minutes to make his announcements.

The opposition group will have an opportunity to reply to the leader's remarks. The opposition group leader shall have 5 minutes to respond after which the Leader of the Council will have a right of reply. Any right of

reply will be for a maximum duration of 5 minutes.

9. **Opposition Business**

There is no Opposition Business.

10. **Motions on Notice**

There are no motions on notice.

11. **Update to the General Fund Medium Term Capital Programme and Budget Monitoring 19/20 (Pages 11 - 36)**

This report updates the General Fund Medium Term Capital Programme for the five year period ending 31 March 2025. The report provides an updated projected outturn for the General Fund capital programme in 2019/20, based on expenditure to 30 November 2019. The General Fund Medium Term Capital Programme is required to be submitted to full Council for consideration and approval as part of the budget process. This report also sets out the Minimum Revenue Provision Statement for 2020/21 to be approved by full Council. Overview and Scrutiny Committee considered this report on 21 January 2020 ahead of Cabinet approving it for submission to full Council on 22 January 2020. The report has been updated to incorporate changes to the Medium Term Capital Programme which have occurred since these meetings.

12. **General Fund Budget and Council Tax 2020/21 (Pages 37 - 62)**

This report concludes the budget setting process for 2020/21. It sets out recommendations for setting the council tax after taking into account the district's council tax requirement (including town and parish council requirements and special expenses in respect of the Folkestone Parks and Pleasure Grounds Charity), the precepts of Kent County Council, the Kent Police & Crime Commissioner and the Kent & Medway Fire & Rescue Service.

13. **Housing Revenue Account Revenue and Capital Original Budget 20/21 (Pages 63 - 78)**

This report sets out the Housing Revenue Account Revenue and Capital Budget for 2020/21 and proposes an increase in weekly rents and an increase in service charges for 2020/21

14. **Housing management options appraisal - outcome of formal consultation (Pages 79 - 128)**

An options appraisal was completed in October 2019, reviewing the delivery of housing management services provided by East Kent Housing (EKH) on behalf of Canterbury City Council, Dover District Council, Folkestone and Hythe District Council and Thanet District Council. The four councils agreed that the preferred option for future service provision to the four councils' tenants and leaseholders is that it should become an in-

house service, subject to consultation. The attached Cabinet report sets out the outcomes from the formal consultation exercise undertaken with EKH tenants and leaseholders. It proposes that officers from across the four councils be instructed to negotiate ending the agreement with EKH and to make preparations for the housing management service to be brought in-house.

15. **Housing Revenue Account Business Plan Update 2020 - 2050 (Pages 129 - 140)**

The Council is required to produce a comprehensive Business Plan for its housing stock. The Business Plan is focused on improving the quality of the Council's landlord services and sets out the investment priorities for its existing Council housing stock. The document also provides details of the council's new build and acquisition housing programme. In view of policy changes implemented by the Government in 2018 to abolish the HRA borrowing cap, it was possible for the Council to increase its delivery target for new builds and the Business Plan was revised to deliver up to 300 homes by 2024/25. Following further reviews of the HRA financial position, its borrowing capacity and the Council's priorities the Business Plan has been updated to deliver a further 1,000 homes over the 10 year period from 2025/26 to 2034/35. The revised Business Plan also includes capital investment of £10m into existing housing stock. This report provides the details supporting the updated plan.

16. **Committee Membership Changes (Pages 141 - 144)**

Under the Folkestone and Hythe District Council Constitution, Part 8.1 'Delegation to Officers', paragraph 3.18, the Head of Paid Service is authorised to make appointments to committees or sub-committees at the request of the relevant political group leader. This report sets out the appointments made, under these powers, on the instruction of both the Green and Liberal Democrat Group Leaders, following the changes to Cabinet on 1 February 2020.

17. **Amendment to the Scheme of Delegation of Executive Functions made by the Leader of the Council (Pages 145 - 146)**

Under the Council's constitution (part 6, para 1.4.1) the Leader of the Council decides on the delegation of cabinet functions. The Leader may amend the delegations at any time by giving written notice to the Head of the Paid Service. Where such a notice is received the Head of the Paid Service must submit a report on the amendments to the next ordinary meeting of the Council. This report sets out the amendments made by the Leader.

Declarations of Interest

Disclosable Pecuniary Interest (DPI)

Where a Member has a new or registered DPI in a matter under consideration they must disclose that they have an interest and, unless the Monitoring Officer has agreed in advance that the DPI is a 'Sensitive Interest', explain the nature of that interest at the meeting. The Member must withdraw from the meeting at the commencement of the consideration of any matter in which they have declared a DPI and must not participate in any discussion of, or vote taken on, the matter unless they have been granted a dispensation permitting them to do so. If during the consideration of any item a Member becomes aware that they have a DPI in the matter they should declare the interest immediately and, subject to any dispensations, withdraw from the meeting.

Other Significant Interest (OSI)

Where a Member is declaring an OSI they must also disclose the interest and explain the nature of the interest at the meeting. The Member must withdraw from the meeting at the commencement of the consideration of any matter in which they have declared a OSI and must not participate in any discussion of, or vote taken on, the matter unless they have been granted a dispensation to do so or the meeting is one at which members of the public are permitted to speak for the purpose of making representations, answering questions or giving evidence relating to the matter. In the latter case, the Member may only participate on the same basis as a member of the public and cannot participate in any discussion of, or vote taken on, the matter and must withdraw from the meeting in accordance with the Council's procedure rules.

Voluntary Announcement of Other Interests (VAOI)

Where a Member does not have either a DPI or OSI but is of the opinion that for transparency reasons alone s/he should make an announcement in respect of a matter under consideration, they can make a VAOI. A Member declaring a VAOI may still remain at the meeting and vote on the matter under consideration.

Note to the Code:

Situations in which a Member may wish to make a VAOI include membership of outside bodies that have made representations on agenda items; where a Member knows a person involved, but does not have a close association with that person; or where an item would affect the well-being of a Member, relative, close associate, employer, etc. but not his/her financial position. It should be emphasised that an effect on the financial position of a Member, relative, close associate, employer, etc OR an application made by a Member, relative, close associate, employer, etc would both probably constitute either an OSI or in some cases a DPI.

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FOLKESTONE AND HYTHE DISTRICT COUNCIL

Minutes for the meeting of the Council held at the Council Chamber - Civic Centre Folkestone on Wednesday, 29 January 2020

Present: Councillors Mrs Ann Berry (Chairman), Miss Susan Carey, John Collier, Laura Davison, *Ray Field, Gary Fuller, Peter Gane, Clive Goddard, David Godfrey, Anthony Hills, Mrs Jennifer Hollingsbee, Nicola Keen, Philip Martin (Vice-Chair), Connor McConville, Jackie Meade, David Monk, Terence Mullard, Tim Prater, Patricia Rolfe, Rebecca Shoob, Georgina Treloar, Douglas Wade, Lesley Whybrow, David Wimble and John Wing

Apologies for Absence: Councillors Danny Brook, Michelle Keutenius, Jim Martin, Ian Meyers and Stuart Peall.

Councillor Field also gave an apology for lateness.

(* for part of the meeting).

81. Declarations of Interest

There were no declarations of interest at the meeting.

82. Minutes

The minutes of the meeting held on 18 December 2019 were submitted, approved and signed by the Chairman.

83. Chairman's Communications

The Chairman reported on the following:

“On Sunday 12th Both Cllr Martin and I attended the Annual Blessing of the Sea in Margate where we were able to meet the new Bishop of Dover, The Right Reverend Rose Hudson -Wilkin. This event is organised by both the Greek Orthodox Church and Margate Town Council. As usually happens a procession proceeds to the sea edge and there a cross is thrown into the sea for a young boy to retrieve. This year there were three young boys all eager to do this, Needless to say they received a round of applause for braving the freezing water.

On Monday 13th we attended Fred Wood Brignall MBE Memorial service in Lydd. Fred was KCC member, Chairman of this Council 2001-2003 and longest serving Mayor of Lydd Town Council. He always attended the District Council Annual meetings and the Chairman’s receptions. It was good to see many Councillors from around the district in attendance. He was held in high esteem and will be sorely missed.

On Tuesday 27th I attended the 75th Anniversary Service of the Holocaust at the Methodist Church Sandgate Road. It was very well attended. Students from many of the local schools attended and read out some moving readings which they had researched and composed themselves.

A musical rendition was played on the violin accompanied by piano. This was composed by the students who played. After the Church service we were invited to the Garden of Remembrance where the Kaddish was read and stones for remembrance were placed on and around the memorial, after which we tasted various dishes from several countries, all beautifully prepared and cooked by the Students of Folkestone College”.

84. Petitions

There were no petitions at the meeting.

85. Questions from the Public

The questions asked, including supplementary questions (if any), and the answers given are set out in Schedule 1, appended to these minutes.

86. Questions from Councillors

The questions asked, including supplementary questions (if any), and the answers given are set out in Schedule 2, appended to these minutes.

87. Announcements of the Leader of the Council

The Leader gave his announcements and stated that in September 2019, the Council had resolved to look at the governance arrangements of the Council, including whether to retain the existing Cabinet arrangements or introduce a committee system, or other system. During discussions at the Governance Working Group, it was apparent that such a change could not be implemented prior to May 2021. At that time, with the agreement of my Group, I offered the opposition leaders a place on my Cabinet. I am pleased to say that that process is underway and I will let the Leaders of the Groups talk about it. It compromises no-one, and the one rule that is insisted upon is that any decision the Group leaders make at Cabinet, they continue to support outside of Cabinet. However, group leaders would not be not bound if they did not make that decision. We recognise the diversity of the group of Councillors we have now, and 15 months is a long time to wait, so I think this is a very good way forward, and I am happy with the way it has been received.

The Leader of the Green group responded and thanked the Leader for this offer. She advised she had discussed this with her group, and wished to accept a place on Cabinet. She stated that she would be responsible for the portfolio of Environment, which would include the responsibility of Air Quality, and she would chair the Climate and Ecological Emergency Working Group, She stated that she was pleased that Hythe would have a voice on Cabinet. She added that this was not a coalition, but power sharing, and was a temporary situation, as she still supported the implementation of a Committee system.

The Leader of the Labour Group responded and stated that the proposal was unique, and as the Labour Group worked with the party on a local and national level, he was still in consultation with the National Group on accepting a position on Cabinet. He was however watching with interest.

The Leader of the Liberal Democrat Group responded and stated that in September, he had proposed that the Council move to a Committee system, because the current Cabinet arrangements did not include other groups. He felt it would be churlish to accept this offer, and added that the Committee system would still be the optimum preference, but he appreciated that this would be difficult to implement prior to 2021. He stated that the offer was ground breaking, and had not been done elsewhere in this format. He also added that it was not a coalition arrangement, and there would be times where the Cabinet Members disagreed, and times where they agreed and worked together. He stated that his portfolio would be Revenues and Benefits, and Anti-Fraud and Corruption, and he was keen to use the tools available within the benefits system to tackle homelessness.

Proposed by Councillor Monk,
Seconded by Councillor Mrs Hollingsbee; and

RESOLVED:

That the announcements of the Leader be noted.

88. Opposition Business

There was no opposition business at the meeting.

89. Motions on Notice

There were no motions on notice.

90. Appointment of Chief Finance Officer (S151 Officer)

The report set out recommendations on the appointment of a Chief Finance officer (Section 151 Officer).

Proposed by Councillor Monk,
Seconded by Councillor Mrs Hollingsbee; and

RESOLVED:

- 1. That report A/19/23 be received and noted.**
- 2. That Charlotte Spendley be appointed as Chief Finance Officer (s151 Officer) with effect from 30 January 2020 pursuant to s151 Local Government Act 1972.**

(Voting figures: 25 for, 0 against, 0 abstentions).

91. **Report to Council on a Key Decision made in accordance with the constitution's call-in and urgency rule.**

The constitution provides that, when an urgent key decision is made by the Cabinet, for which any delay in implementation, likely to be caused by the call-in process, would seriously prejudice the Council's or public interest, then the 'Call-in Rules of Procedure', Part 6.3, rules 1-6 do not apply. Key decisions, taken as a matter of urgency, must be reported to the next available meeting of the Council, together with the reasons for urgency.

Proposed by Councillor Monk,
Seconded by Councillor Mrs Hollingsbee; and

RESOLVED:
That report A/19/22 be received and noted.

(Voting figures: 25 for, 0 against, 0 abstentions).

This Report will be made public on 11 February 2020



Report Number **A/19/26**

To: Council
Date: 19 February 2020
Status: Key Decision
Head of Service: Charlotte Spendley, Director of Corporate Services
Cabinet Member: Councillor David Monk – Leader and Portfolio Holder for Finance

SUBJECT: UPDATE TO THE GENERAL FUND MEDIUM TERM CAPITAL PROGRAMME AND BUDGET MONITORING 2019/20

SUMMARY: This report updates the General Fund Medium Term Capital Programme for the five year period ending 31 March 2025. The report provides an updated projected outturn for the General Fund capital programme in 2019/20, based on expenditure to 30 November 2019. The General Fund Medium Term Capital Programme is required to be submitted to full Council for consideration and approval as part of the budget process. This report also sets out the Minimum Revenue Provision Statement for 2020/21 to be approved by full Council. Overview and Scrutiny Committee considered this report on 21 January 2020 ahead of Cabinet approving it for submission to full Council on 22 January 2020. The report has been updated to incorporate changes to the Medium Term Capital Programme which have occurred since these meetings.

REASONS FOR RECOMMENDATIONS:

Full Council is asked to agree the recommendations set out below because:

- a) It needs to be kept informed of the existing General Fund Medium Term Capital Programme position and take appropriate action to deal with any variance from the approved budget.
- b) Proposed extensions to existing schemes are required to be considered and approved before being included in the council's Medium Term Capital Programme.
- c) The proposed Medium Term Capital Programme needs to be considered before it is submitted to full Council for approval as part of the budget process.
- d) The Council must also have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities when carrying out its duties under Part 1 of the Local Government Act 2003.
- e) The Council is required to approve a Minimum Revenue Provision statement for 2020/21 in advance of the start of the financial year.

RECOMMENDATIONS:

- 1. To receive and note report A/19/26.**
- 2. To approve the updated General Fund Medium Term Capital Programme as set out in appendix 2 to this report.**
- 3. To approve the Minimum Revenue Provision (MRP) Policy Statement for 2020/21 set out in appendix 3 to this report.**

1. INTRODUCTION AND BACKGROUND

- 1.1 In line with the council's approved Budget Strategy for 2020/21, this report updates the General Fund Medium Term Capital Programme (MTCP) for the five year period ending 31 March 2025. The report;-
- i) provides the latest projection, as at 30 November 2019, of the planned expenditure in 2019/20 for the existing General Fund capital programme and explanations of the variances compared to the latest approved budget and also the previous projection for the current financial year,
 - ii) reviews and updates the existing approved Medium Term Capital Programme and incorporates the capital investment proposals agreed by Cabinet during the budget process for 2020/21,
 - iii) introduces proposed new schemes and initiatives identified during the budget process but yet to be considered by Cabinet,
 - iv) provides details of those existing capital schemes proposed to be extended by one year into 2024/25,
 - v) summarises the impact the proposed changes to the overall capital programme will have on the financing resources required to fund it.
- 1.2 The capital expenditure plans for the Housing Revenue Account (HRA) are due to be considered by Cabinet in a separate report on this agenda as part of the current budget process for 2020/21.
- 1.3 The overall capital expenditure plans for both the General Fund and HRA are required to be submitted to full Council for consideration and approval as part of the budget process.
- 1.4 This report also sets out the Minimum Revenue Provision Statement for 2019/20 required to be approved by full Council. The Prudential Indicators for capital expenditure are due to be considered separately as part of the Capital Strategy report by Cabinet on 19 February 2020 before being submitted to full Council for approval.
- 1.5 This report was considered by Overview and Scrutiny Committee on 21 January 2020 and Cabinet on 22 January 2020 who approved it to be submitted to full Council. The report has been updated to reflect the following changes to the Medium Term Capital Programme which have occurred since the January meetings:
- i) The council has acquired the land and property interest of Cozumel Estates Limited for the Otterpool Park Garden Town development for approximately £26.2m, met from within the existing overall approved scheme budget and funded from prudential borrowing.

- ii) Further capital expenditure of £774k to support the council's Transformation Programme has been identified, to be met from capital receipts. This is expected to generate ongoing efficiencies and revenue savings.
- iii) The level of revenue funding for the capital programme has been reduced by £230k with this now being met from available capital receipts.

2. CAPITAL PROGRAMME 2019/20 – PROJECTED OUTTURN

- 2.1 The planned expenditure on all General Fund capital schemes in 2019/20, based on expenditure to 30 November 2019, is anticipated to be £58,374,800 an increase of £21,165,800 compared to the approved budget of £37,209,000. Full details are shown in **appendix 1**. The following table summarises the position across the council's service units and also outlines the impact on the capital resources required to fund the expenditure:

General Fund Capital Programme	Latest Approved Budget	Latest Projection	Variance
General Fund - Service Units	£'000	£'000	£'000
Environment & Corporate Assets	21,434	18,471	(2,963)
Finance, Customer & Support Services	5,108	3,729	(1,379)
Governance, Law & Regulatory Services	2,050	1,878	(172)
Strategic Development Projects	8,617	34,297	25,680
Total General Fund Capital	37,209	58,375	21,166
Capital Funding			
Grants	(2,759)	(1,202)	1,557
External Contributions	(1,001)	(460)	541
Capital Receipts	(1,593)	(1,840)	(247)
Revenue	(1,117)	(1,217)	(100)
Borrowing	(30,739)	(53,656)	(22,917)
Total Funding	(37,209)	(58,375)	(21,166)

- 2.2 The projected outturn for 2019/20 has increased by £27.84m from that previously reported to Cabinet on 13 November 2019 (Report no. C/19/35 refers) and the main reasons for the change are summarised in the table below:

£'000

i)	Otterpool Park – reprofiling of the budget from 2020/21 mainly to meet the cost of acquiring the land and property interests from Cozumel Estates	27,000
ii)	Transformation Programme - Further ICT related expenditure expected to deliver ongoing efficiencies and revenue savings	522
iii)	Additional expenditure on Disabled Facilities Grants and Loans supporting local residents to remain in their properties, to be met from government grant	210
iv)	Profiled funding of the Lower Sandgate Road Beach Huts scheme approved since the previous capital budget monitoring report, to be met from prudential borrowing	75
v)	Pumping Stations new vehicle now expected to be purchased in 2019/20 rather than 2020/21	25
vi)	Other minor net changes	7
Total		27,839

- 2.3 The projections contained in this report are based on the most accurate information at the current time and every effort is made to ensure the capital programme is delivered on time and in budget. Some capital schemes are more difficult to project accurately in terms of both the timing of expenditure and the final cost. In particular it is difficult to accurately project the timing of expenditure for the Otterpool Park land and property acquisitions, Disabled Facilities Grants and Loans and the Private Sector Empty Homes Initiative.

3. UPDATE TO THE GENERAL FUND MEDIUM TERM CAPITAL PROGRAMME

- 3.1 The latest projection for the total cost and funding of the General Fund capital programme from 2019/20 to 2024/25 is £188,405,000. Compared to the latest approved budget of £186,171,000 this represents an increase of £2,234,000. Full details are shown in **appendix 2** to this report and the following table summarises the position across the service units and also outlines the impact on the capital resources required to fund the programme:

General Fund Capital Programme	Latest Approved Budget	Latest Projection	Variance
General Fund - Service Units	£'000	£'000	£'000
Environment & Corporate Assets	24,758	25,552	794
Strategic Development	143,491	144,490	999
Governance, Law & Regulatory Services	6,926	8,388	1,462
Finance, Customer & Support Services	8,466	9,240	774
Economic Development	2,530	735	(1,795)
Total General Fund Capital	186,171	188,405	2,234

Capital Funding

Grants	(9,836)	(9,517)	319
External Contributions	(2,845)	(4,236)	(1,391)
Capital Receipts	(22,778)	(24,688)	(1,910)
Revenue	(1,748)	(3,591)	(1,843)
Borrowing	(148,964)	(146,373)	2,591
Total Funding	(186,171)	(188,405)	(2,234)

- 3.2 The main changes from the approved budget to the latest projection for the medium term programme are summarised below:

	£'000	£'000
1. Capital investments decisions approved by Cabinet		
i) Biggins Wood - Commercial and residential development of the site being met from revenue reserves	1,000	
ii) Parking Services - Replacement of car park machines over a three year period	47	
iii) Parking Services - New software to support management of Traffic Regulation Orders	38	
iv) Private Sector Housing - Empty Homes Initiative jointly funded scheme with KCC. Growth for 2020/21 met from recycling previous loans on this initiative that have been repaid.	300	
		1,385
2. Existing annual programmes extended by one year to 2024/25		
i) Coast Protection - Greatstone Dunes Management and Study met from Environment Agency grant	15	
ii) Coast Protection - Hythe to Folkestone Beach Management met from Environment Agency grant	250	
iii) Coast Protection - Annual monitoring of Coronation Parade, Folkestone met from Environment Agency grant	4	
iv) Lifeline units for customers	50	
v) Royal Military Canal - Footpath improvement scheme	20	
vi) Replacement technology	95	
vii) Disabled Facilities Grants, subject to Government funding	1,000	
viii) Home Safe Loans met from repaid Decent Homes Loans	100	
		1,534
3. Other Changes		

i) Public Toilets - Refurbishment programme for 2020/21 and 2021/22 subject to a separate report to Cabinet detailing the proposed scheme	400	
ii) Disabled Facilities Grants - demand for service lower than anticipated in 2019/20	(100)	
iii) Home Safe Loans - demand for service lower than anticipated in 2019/20	(40)	
iv) Coast Protection Beach Management 2015 -2020 - budget carried forward from 2018/19 not required (entirely funded from the Environment Agency)	(95)	
v) Lifeline Capitalisation - Additional cost of equipment due to an increase in demand for the service resulting in higher income being received	65	
vi) Replacement Technology - Net increase in cost including the rollout of new laptops and tablets for staff and councillors in 2019/20	107	
vii) Mountfield Road Business Hub - Cabinet decision (September 2019) to implement a revised scheme in partnership with the East Kent Spatial Development Company to be met from revenue reserves rather than prudential borrowing	(1,795)	
viii) Transformation Programme - Further ICT related expenditure expected to deliver ongoing efficiencies and revenue savings	774	
ix) Other minor net changes arising from 2019/20	<u>(1)</u>	<u>(685)</u>
Total net increase		<u>2,234</u>

3.3 As already mentioned in section 2 of this report, the profiling of the capital programme budget is likely to be subject to some change over the medium term. Notably, the timing and profiling of the Otterpool Park Garden Town scheme is expected to change as the council's plans for it develop going forward.

3.4 All proposed changes to the council's General Fund MTCP are required to be approved by full Council as part of the budget setting process. The revenue implications of the of the MTCP are contained in either the proposed General Fund budget for 2020/21 or feature in the council's approved Medium Term Financial Strategy.

4. IMPACT ON CAPITAL RESOURCES

4.1 One of the key principles underlying the council's Medium Term Financial Strategy is the capital programme is funded from available or realised capital resources and that new borrowing should only be used where it is prudent

and affordable. The only exception to this is where a scheme is subject to grant funding or external contributions in which case no commitment is made against these until the funding is confirmed. The latest forecast for the General Fund capital programme conforms to this key principle.

- 4.2 The proposed MTCP requires approximately £146m of prudential borrowing to support it with about £112m of this is for the Otterpool Park scheme. Ordinarily this would put a significant pressure on the General Fund budget for additional interest costs. However, as outlined in the report to full Council on 20 November 2019 regarding the additional funding for Otterpool Park (report A/19/17 refers), The Code of Practice on Local Authority Accounting permits the capitalisation of borrowing costs for qualifying assets during the acquisition and construction phase of a scheme to get them ready for their intended use, recognising this may be a 'substantial period' of time. To do this the Council will need to adopt a capitalisation policy and it is intended to implement this by updating its Accounting Policies for the 2019/20 Statement of Accounts. Once the qualifying asset (Otterpool Park) is ready for its intended use the borrowing costs from that point on are met by the General Fund in the normal way. However, at this point the council would anticipate receiving an income stream from the assets to meet the borrowing costs.

- 4.3 The latest position regarding the council's available capital receipts to fund capital expenditure is shown in the following table:

General Fund Capital Receipts Position Statement	£'000
Receipts in hand at 30 November 2019	(11,165)
Less,	
committed towards General Fund capital expenditure	4,173
committed towards HRA capital expenditure	6,017
Ring-fenced for specific purposes	323
Contingency for urgent or unforeseen capital expenditure	500
Balance available to support new capital expenditure	(152)

- 4.3 The council has previously adopted the government's Statutory Guidance on the Flexible Use of Capital Receipts. This allows the council to use capital receipts from General Fund asset disposals from 1 April 2016 to 31 March 2022 on revenue expenditure that is planned to generate ongoing efficiencies and savings. The council currently has about £393k of qualifying capital receipts in hand and plans to use this to support capital expenditure on the Transformation project during 2019/20. In line with the council's approved Budget Strategy, future capital receipts received from asset disposals up to 31 March 2022 will be prioritised towards qualifying revenue expenditure under the guidance unless it is agreed these receipts are required to support the authority's future major capital investment plans.

- 4.4 Additionally the council's continuing prudent financial management means it is in a position to use its other internal resources (cash reserves and balances) to fund the MTCP that is not already met from external grants and contributions without resorting to new borrowing. The table below summarises the council's revenue resources of £3.591m committed towards funding the MTCP.

Revenue Resources to Fund the MTCP	£'000
Vehicle, Equipment and Technology Reserve	639
Economic Development Reserve	1,000
Business Rates Reserve	733
Carry Forward Reserve	20
General Reserve	1,199
Total	3,591

- 4.5 This level of capital investment will be a significant draw upon the council's available reserves and balances and it is unlikely this could be repeated in the future. For this reason it is important that a thorough and robust assessment is undertaken for the new major capital investment proposals to ensure best use of the councils limited financial resources.

5 MINIMUM REVENUE PROVISION (MRP) POLICY STATEMENT 2020/21

- 5.1 The council is required to pay off an element of the accumulated General Fund capital spend financed by borrowing each year through a revenue charge (the Minimum Revenue Provision), although it is also allowed to undertake additional voluntary payments where it is seen to be in its best interests to do so.
- 5.2 Regulations have been issued by the MHCLG which require full Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils to replace the existing Regulations, so long as there is a prudent provision. The Council is asked to approve the MRP Statement shown in **appendix 3** to be applicable for 2020/21.
- 5.3 Capital Prudential Indicators – The Council is required to approve prudential indicators linked to its overall capital expenditure plans, including the HRA. These are due to be considered as part of the Capital Strategy report by Cabinet on 18 March 2020 before being submitted to full Council for approval.

6 CONCLUSIONS

- 6.1 The council's MTCP has been reviewed and updated in accordance with the approved budget strategy for 2020/21.
- 6.2 The revenue consequences of the MTCP are reflected in the council's General Fund budget and Medium Term Financial Strategy.

- 6.3 The proposed General Fund MTCP requires a substantial level of prudential borrowing to fund it. A capitalisation policy for borrowing costs on qualifying assets is planned to be introduced from 2019/20. This will mean interest costs will only become chargeable to the General Fund on these qualifying assets once they are ready to be used.
- 6.4 The level of new capital investment in the proposed MTCP will be a significant draw upon on the council's available reserves and balances and is unlikely to be repeated in the future. Future major capital investment initiatives are likely to require further prudential borrowing to help fund them.
- 6.5 Cabinet is asked to recommend full Council to approve the changes to the MTCP outlined in this report to reflect the latest projected outturn shown in appendix 2 to this report.
- 6.6 Cabinet is asked to recommend full Council to approve the MRP Statement for 2019/20 shown in appendix 3 to this report.

7 RISK MANAGEMENT ISSUES

- 7.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
Capital resources not available to meet the cost of the new projects.	High	Low	The internal capital resources identified in this report have been realised.
Cost of new projects may exceed the estimate.	High	Low	Capital monitoring procedures in place allowing prompt early action to be taken to manage the risk effectively.
Expenditure planned to be met by grant is ineligible under the terms of the funding agreement	High	Low	Prior to commitments being made the project manager to agree in advance grant eligible expenditure with the funding body.

8. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

- 8.1 **Legal Officer's Comments (Nicola Everden)**

There are no legal implications arising directly out of this report. Part 1 of the Local Government Act 2003 gives the Council the power to borrow and to invest for any purpose relevant to its functions or for the purposes of the prudent management of its financial affairs. It also requires the Council to act prudently when carrying out these activities, including an obligation to determine and keep under review how much money it can borrow. In addition, the Council is required by the Local Government Finance Act 1992 to produce a balanced budget. Generally the Council must take into account its fiduciary duties to local tax payers and its continuing obligation to ensure it has the funding required to perform its statutory undertakings.

8.2 Finance Officer's Comments (Lee Walker)

This report has been prepared by Financial Services. There are no further comments to add.

9. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting

Lee Walker, Group Accountant

Tel: 01303 853593. e-mail :lee.walker@folkestone-hythe.gov.uk

The following background documents have been relied upon in the preparation of this report:

None

Appendices:

- 1) General Fund Capital Programme Projected Outturn 2019/20
- 2) Proposed General Fund MTCP to 2024/25
- 3) Minimum Revenue Provision Policy Statement for 2020/21

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Appendix 1

GENERAL FUND CAPITAL PROGRAMME BUDGET MONITORING 2019/20					
Item Number	Service Area and Scheme	Latest Approved Budget	Projection at 30/11/2019	Variance Budget to Projection	Comments
		£'000	£'000	£'000	
	Andy Blaszkowicz - Environment & Corporate Assets				
1	GF Property Health & Safety Enhancements	116	50	(66)	Replacement fire doors completed in late 2019. Remainder of budget deferred to 2020/21 and subject to the production and agreement of a Civic Centre 10 year plan
2	Grounds Maintenance Vehicle Replacement Programme	158	158	0	On target with the majority of items already delivered
3	Lifeline Capitalisation	42	75	33	Additional cost due to an increase in customers taking up the service, reflected in the additional service income projected for 19/20.
4	Royal Military Canal Enhancements	20	20	0	On target to complete planned works
5	Pumping Stations - New Vehicle	25	25	0	Vehicle planned to be acquired by March 2020
6	Hawkinge Cemetery Expansion	28	0	(28)	Remainder of scheme now expected to take place in 2020/21
7	Area Officer Vans	30	0	(30)	Delayed and now considering electric vehicles which may require an increase to the budget
8	Royal Military Canal Replacement Rowing Boats	46	46	0	Order placed and boats due to be delivered

Appendix 1

GENERAL FUND CAPITAL PROGRAMME BUDGET MONITORING 2019/20					
Item Number	Service Area and Scheme	Latest Approved Budget	Projection at 30/11/2019	Variance Budget to Projection	Comments
		£'000	£'000	£'000	
9	Connect 38 Ashford	17,710	17,710	0	Acquired May 2019 and providing an additional income in 2019/20
10	Coronation Parade Coastal Defence Scheme	2,391	10	(2,382)	Scheme all externally funded. Remaining planned works are now subject to review. The cliff stabilisation works are expected to be delayed until 2020/21 and the major rock revetment work may not proceed.
11	Greatstone Dunes Management	15	15	0	Scheme externally funded by the Environment Agency and work to be completed over the winter of 2020
12	Beach Management 2015-2020 Coastal Defence	349	253	(96)	Scheme externally funded by the Environment Agency. Amount of work required is dependent upon the impact of winter storms in particular.
13	Coronation Parade Annual Monitoring Coastal Defence	4	4	0	Scheme externally funded by the Environment Agency.
14	Hythe to Folkestone Beach Recharging Study Coastal Defence	0	30	30	Scheme externally funded by the Environment Agency. Being draw down from £2m approved budget in the MTCP, originally all profiled for 2020/21
15	Lower Sandgate Road Beach Huts	500	75	(425)	Scheme expected to commence before March 2020 with the majority of the work planned to take place in the spring and early summer of 2020
	Total - Environment & Corporate Assets	21,434	18,471	(2,963)	

Appendix 1

GENERAL FUND CAPITAL PROGRAMME BUDGET MONITORING 2019/20					
Item Number	Service Area and Scheme	Latest Approved Budget	Projection at 30/11/2019	Variance Budget to Projection	Comments
		£'000	£'000	£'000	
	Charlotte Spendley - Finance, Customer & Support Services				
16	PC Replacement Programme	16	134	118	Roll out of new laptops across the authority. Savings anticipated to be made on ICT capital budgets over medium term to help offset the additional cost
17	Server Replacement Programme	60	107	47	Additional cost to meet new Microsoft software licence requirements
18	Virtual Desktop Technology	16	0	(16)	Budget used towards PC Replacement Programme
19	FHDC Transformation	788	1,310	522	Further capitalisation of ICT related costs expected to generate ongoing efficiencies and revenue savings
20	Oportunitas Loan & Share Capital Ph 1	778	778	0	On target
21	Oportunitas Loan & Share Capital Ph 2	3,450	1,400	(2,050)	To invest in the company's planned expansion of its residential property portfolio, which is being partly reprofiled to 2020/21
	Total - Finance, Customer & Support Services	5,108	3,729	(1,379)	

GENERAL FUND CAPITAL PROGRAMME BUDGET MONITORING 2019/20					
Item Number	Service Area and Scheme	Latest Approved Budget	Projection at 30/11/2019	Variance Budget to Projection	Comments
		£'000	£'000	£'000	
	Amandeep Khroud - Governance, Law & Regulatory Services				
22	Temporary Accommodation	565	565	0	Work is underway to progress the acquisition of a further 4 units of accommodation.
23	New Vehicle Dog Warden	12	12	0	Vehicle acquired October 2019
24	Bacas Burial Software System	11	11	0	First phase complete, on target to be fully completed by April 2020
25	Disabled Facilities Grants & Loans	1,000	900	(100)	Deep cleans and clearance work for hospital discharge and Home Straight service have increased the spend. The Home Straight, H&H co-ordinator and Handyman are funded from this allocation, in addition to adaptation work and winter warmth loans.
26	Home Safe Loans	100	60	(40)	Several HSLs awaiting approval with spend anticipated in the current financial year.
27	Joint Empty Home Initiatives with KCC	362	330	(32)	Up to 24 units of accommodation planned to be brought back into use. The Council and KCC are considering a number of other potential projects that will require No Use Empty Funding in order to be progressed.

Appendix 1

GENERAL FUND CAPITAL PROGRAMME BUDGET MONITORING 2019/20					
Item Number	Service Area and Scheme	Latest Approved Budget	Projection at 30/11/2019	Variance Budget to Projection	Comments
		£'000	£'000	£'000	
	Total - Governance, Law & Regulatory Services	2,050	1,878	(172)	
	Andy Jarrett - Strategic Development Projects				
28	Otterpool Park Land & Property Acquisitions	6,573	33,000	26,427	Part of an ongoing programme of acquisitions planned to continue into 2020/21. Current year includes purchase of Westenhanger Castle and also land and property options from Cozumel Estates Ltd
29	Otterpool Park Garden Town Delivery Mechanism	281	281	0	On target
30	Hythe Environmental Improvements	1	0	(1)	No planned further expenditure
31	Corporate Property Development Projects	161	0	(161)	Unallocated sum to support strategic property initiatives

Appendix 1

GENERAL FUND CAPITAL PROGRAMME BUDGET MONITORING 2019/20					
Item Number	Service Area and Scheme	Latest Approved Budget	Projection at 30/11/2019	Variance Budget to Projection	Comments
		£'000	£'000	£'000	
32	Biggins Wood Commercial Development	61	25	(36)	Projected expenditure to support proposed joint venture development
33	Greatstone Holiday Lets	1,099	100	(999)	Currently in planning phase. Construction phase delayed until 2020/21
34	Ship Street Site Folkestone	441	441	0	Purchase of site likely during the winter 2020
35	Princes Parade Leisure Centre	0	450	450	Preliminary fees reprofiled from 2020/21. Scheme on hold subject to a request to seek a Judicial Review regarding the planning permission for the development being considered
	Total - Strategic Development Projects	8,617	34,297	25,680	
	Total General Fund Capital Expenditure	37,209	58,375	21,166	

General Fund Medium Term Capital Programme to 2024/25													
		Latest Approved MTCP Budget		Latest Projection 2019/20	Latest Projection 2020/21	Latest Projection 2021/22	Latest Projection 2022/23	Latest Projection 2023/24	Latest Projection 2024/25	Total Projection 2019/20 - 2024/25		Variance Budget to Projection	
Item No	Service Area and Scheme	£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000		£'000	Comments
	Andy Blaszkowicz - Environment & Corporate Assets												
1	Coast Protection - Coronation Parade, Folkestone	2,392		10	2,382	0	0	0	0	2,392		0	Scheme all externally funded. Remaining planned works are now subject to review. The cliff stabilisation works are due to take place in 2020/21 and the major rock revetment work may not proceed.
2	Coast Protection - Coronation Parade annual monitoring	20		4	4	4	4	4	4	24		4	Scheme externally funded by the Environment Agency. Scheme extended by one year to 2024/25
3	Coast Protection - Greatstone Dunes Management & Study	75		15	15	15	15	15	15	90		15	Annual programme funded by Environment Agency extended by one year to 2024/25
4	Coast Protection - Hythe to Folkestone Beach Management (from 2015)	1,348		253	250	250	250	250	250	1,503		155	Scheme externally funded by the Environment Agency. Amount of work required is dependent upon the impact of winter storms in particular. Scheme extended by one year to 2024/25
5	Coast Protection - Hythe to Folkestone Beach Recharge	2,000		0	1,970	0	0	0	0	1,970		(30)	Planned major recharge of beach levels to maintain the integrity of the existing coastal defences - externally funded by EA
6	General Fund Property - Health and Safety Enhancements	116		50	66	0	0	0	0	116		0	Partly deferred to 2020/21 and subject to the production and agreement of a Civic Centre 10 year plan
7	Royal Military Canal footpath enhancements	100		20	20	20	20	20	20	120		20	Ongoing 10 year programme of improvements 2016/17-2026/27
8	Connect 38 Ashford	17,710		17,710	0	0	0	0	0	17,710		0	Acquired May 2019 and providing an additional income in 2019/20
9	Royal Military Canal Replacement Rowing Boats	46		46	0	0	0	0	0	46		0	Order placed and boats due to be delivered in 2019/20
10	Hawkinge Cemetery Expansion	28		0	28	0	0	0	0	28		0	Remainder of scheme now expected to take place in 2020/21
11	Area Officer Vans	30		0	30	0	0	0	0	30		0	Delayed and now considering electric vehicles which may require an increase to the budget
12	Lifeline Capitalisation	210		75	50	50	50	50	50	325		115	Annual programme to purchase new/replacement units extended by one year to 2024/25 (£50k). Also additional expenditure of £65k projected to reflect increased demand for the service
13	Grounds Maintenance Vehicle and Equipment Replacement Programme	158		158	0	0	0	0	0	158		0	On target with the majority of items already delivered
14	Pumping Station - new vehicle	25		25	0	0	0	0	0	25		0	Vehicle planned to be acquired by March 2020

		Latest Approved MTCP Budget		Latest Projection 2019/20	Latest Projection 2020/21	Latest Projection 2021/22	Latest Projection 2022/23	Latest Projection 2023/24	Latest Projection 2024/25	Total Projection 2019/20 - 2024/25		Variance Budget to Projection	
Item No	Service Area and Scheme	£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000		£'000	Comments
15	Hythe to Folkestone Beach Recharging Study Coastal Defence	0		30	0	0	0	0	0	30		30	Scheme externally funded by the Environment Agency. Being draw down from £2m approved budget in the MTCP, originally all profiled for 2020/21
16	Public Toilet Enhancement Programme	0		0	200	200	0	0	0	400		400	Growth - Proposed new scheme to refurbish the council's public toilets portfolio. Subject to a separate report to Cabinet detailing the scheme.
17	Lower Sandgate Road Beach Huts	500		75	425	0	0	0	0	500		0	FHDC capital funding contribution to the Folkestone Parks and Pleasure Grounds Charity scheme to replace and renovate the Lower Sandgate Road Beach Huts
18	Parking Services	0		0	16	16	15	0	0	47		47	Budget Growth. Parking Services - replacement of 15 on-street pay and display machines in Folkestone to be spread over a three year period.
19	Parking Services - New Traffic Regulation Order (TRO	0		0	38	0	0	0	0	38		38	Budget growth. Parking Services - New Traffic Regulation Order (TRO) system (Parkmap System) to manage TROs and assist with parking enforcement
	Total - Environment & Corporate Assets	24,758		18,471	5,494	555	354	339	339	25,552		794	

Item No	Service Area and Scheme	Latest Approved MTCP Budget	Latest Projection 2019/20	Latest Projection 2020/21	Latest Projection 2021/22	Latest Projection 2022/23	Latest Projection 2023/24	Latest Projection 2024/25	Total Projection 2019/20 - 2024/25	Variance Budget to Projection	Comments
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
	Andy Jarrett - Strategic Development										
20	Corporate Property Development Projects	161	0	161	0	0	0	0	161	0	Unallocated sum to support strategic property initiatives
21	Biggins Wood Commercial Development	61	25	1,036	0	0	0	0	1,061	1,000	Cabinet approval made in July 2019 to invest £1m from revenue reserves to support the commercial and residential development of this site
22	Otterpool Land Acquisition	111,573	33,000	18,573	20,000	20,000	20,000	0	111,573	0	In November 2019 Council approved a further £100m for making acquisitions and undertaking infrastructure works at Otterpool Park
23	Otterpool Park Garden Town Delivery Mechanism	281	281	0	0	0	0	0	281	0	Professional advice to create delivery mechanism for council's involvement with the project.
24	Ship Street Site Folkestone	441	441	0	0	0	0	0	441	0	Cabinet approval made in October 2019 to proceed with the purchase of the site
25	Princes Parade Leisure & Housing development	29,065	450	2,472	15,215	10,928	0	0	29,065	0	Scheme on hold subject to a request to seek a Judicial Review regarding the planning permission for the development being considered
26	Hythe Environmental Improvements	1	0	0	0	0	0	0	0	(1)	Residual expenditure only met from S106 income
27	Greatstone Varne Holiday Lets	1,908	100	1,808	0	0	0	0	1,908	0	Currently in planning phase. Construction phase delayed until 2020/21
	Total - Strategic Development	143,491	34,297	24,050	35,215	30,928	20,000	0	144,490	999	
	Amandeep Khroud - Governance, Law & Regulatory Services										
28	Empty Properties Initiative (KCC)	362	330	332	0	0	0	0	662	300	Jointly funded scheme with KCC. £300k growth for 2020/21 met from recycling previous loans made on this initiative that have been repaid
29	Temporary Accommodation (invest to save)	565	565	0	0	0	0	0	565	0	Scheme underway to progress the acquisition of a further 4 units of accommodation
30	Disabled Facilities Grant	5,000	900	1,000	1,000	1,000	1,000	1,000	5,900	900	Scheme met entirely from Government grant and extended by one year to 2024/25. There is currently no waiting list for applications
31	Home Safe Loans	500	60	100	100	100	100	100	560	60	Scheme extended by one year to 2024/25. There is currently no waiting list for applications

Item No	Service Area and Scheme	Latest Approved MTCP Budget		Latest Projection 2019/20	Latest Projection 2020/21	Latest Projection 2021/22	Latest Projection 2022/23	Latest Projection 2023/24	Latest Projection 2024/25	Total Projection 2019/20 - 2024/25		Variance Budget to Projection	Comments
		£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000		£'000	
32	Replacement Vehicle - Dog Warden	12		12	0	0	0	0	0	12		0	Vehicle purchased in 2019/20
33	PC Replacement Programme	80		134	16	16	35	35	35	271		191	Roll out of new laptops and tablets for staff and councillors across the authority in 2019/20 and then provision for an on-going replacements over the medium term
34	Server Replacement Programme	300		107	60	60	60	60	60	407		107	Additional cost to meet new Microsoft software licence requirements in 2019/20 and then provision for an annual replacement programme over the medium term
35	Virtual Desktop Technology	96		0	0	0	0	0	0	0		(96)	Budget no longer required and saving used to help offset additional PC and Server Replacement costs, included above
36	Burials Software (BACAS)	11		11	0	0	0	0	0	11		0	Planned to be installed and operational by the spring of 2020
	Total - Governance, Law & Regulatory Services	6,926		2,119	1,508	1,176	1,195	1,195	1,195	8,388		1,462	
	Charlotte Spendley - Finance, Customer & Support Services												
37	Oportunitas Loan and Share Capital Phase 1	778		778	0	0	0	0	0	778		0	Funding expected to be fully utilised by the company in 2019/20
38	Oportunitas Loan and Share Capital Phase 2	6,900		1,400	5,500	0	0	0	0	6,900		0	To invest in the company's planned expansion of its residential property portfolio, which is being partly reprofiled to 2020/21
39	FHDC Transformation	788		1,310	252	0	0	0	0	1,562		774	Projected additional ICT related costs
	Total - Finance, Customer & Support Services	8,466		3,488	5,752	0	0	0	0	9,240		774	

Item No	Service Area and Scheme	Latest Approved MTCP Budget		Latest Projection 2019/20	Latest Projection 2020/21	Latest Projection 2021/22	Latest Projection 2022/23	Latest Projection 2023/24	Latest Projection 2024/25	Total Projection 2019/20 - 2024/25		Variance Budget to Projection	Comments
		£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000		£'000	
	Katharine Harvey - Economic Development												
40	New Business Hub - Mountfield Road Industrial Estate	2,530		0	735	0	0	0	0	735		(1,795)	Following a Cabinet decision in September 2019 the scheme has been revised to a joint development with East Kent Spatial Development Company with the Council's contribution reduced to £735k and being met from revenue reserves rather than prudential borrowing
	Total - Economic Development	2,530		0	735	0	0	0	0	735		(1,795)	
	Total General Fund Medium Term Capital Programme	186,171		58,375	37,539	36,946	32,477	21,534	1,534	188,405		2,234	
41	Government Grant	(9,836)		(1,202)	(3,239)	(1,269)	(1,269)	(1,269)	(1,269)	(9,517)		319	
42	Other External Contributions	(2,845)		(460)	(3,332)	0	(444)	0	0	(4,236)		(1,391)	
43	Capital Receipts	(22,778)		(1,865)	(1,407)	(14,816)	(6,400)	(100)	(100)	(24,688)		(1,910)	
44	Revenue Contributions	(1,748)		(1,217)	(1,733)	(146)	(165)	(165)	(165)	(3,591)		(1,843)	
45	Borrowing	(148,964)		(53,631)	(27,828)	(20,715)	(24,199)	(20,000)	0	(146,373)		2,591	
	Total Funding	(186,171)		(58,375)	(37,539)	(36,946)	(32,477)	(21,534)	(1,534)	(188,405)		(2,234)	

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Appendix 3

Minimum Revenue Provision (MRP) Policy Statement 2020/21

1. The council is required to pay off an element of the accumulated General Fund capital spend financed by borrowing each year through a revenue charge (the Minimum Revenue Provision), although it is also allowed to undertake additional voluntary payments where it is seen to be in its best interests to do so.
2. Regulations have been issued by the Ministry of Housing, Communities and Local Government (MHCLG) which require full Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils to replace the existing Regulations, so long as there is a prudent provision. **The Council is recommended to approve the following MRP Statement to be applicable for 2020/21.**
 - i. For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be:
 - Existing practice - MRP will follow the existing practice outlined in former DCLG Regulations (4% of balance of CFR at 31.3.08)
 - ii. From 1 April 2008 for unsupported borrowing the MRP policy will be:
 - Asset Life Method – MRP will be based on the estimated life of the assets, in accordance with the regulations.
 - iii. For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational.
3. Additionally the council is free to determine an alternative MRP approach provided that it is prudent. These alternatives may include a variation on the above options or may take other forms as determined by the Chief Finance Officer. For instance, where the council acquires assets funded from unsupported borrowing for the purpose of site assembly with the aim of disposing to developers in the future, then the council may determine a nil MRP charge is prudent on the understanding that the capital receipt from the disposal is used repay the borrowing and extinguish the CFR relating to it. Any unsupported borrowing on capital expenditure falling into this category will be reviewed annually and if for any reason a capital receipt will not be received within a specified timeframe as determined by the Chief Finance Officer relating to the asset acquired then the unsupported borrowing will revert back to the normal

MRP treatment applicable including an adjustment for MRP due for previous years that may not have been previously charged.

4. No statutory revenue charge or MRP is required for the HRA. However, as part of the approved HRA Business Plan, Cabinet previously agreed an affordable strategy to repay the HRA's total debt, represented by its capital financing requirement (HRACFR) over 30 years. However in a move to maximise the level of resources available to build new HRA homes, the latest HRA Business Plan no longer makes provision to repay debt.
5. Any deviation from the approved policy in year will, as a minimum, be addressed in the MRP Policy Statement for the subsequent financial year.

This report will be made
public on 11 February
2020

Report number **A/19/29**

To: Council
Date: 19 February 2020
Head of Service: Charlotte Spendley, Director of Corporate Services
Cabinet Member: Councillor David Monk, Leader

SUBJECT: GENERAL FUND BUDGET AND COUNCIL TAX 2020/21

SUMMARY: This report concludes the budget setting process for 2020/21. It sets out recommendations for setting the council tax after taking into account the district's council tax requirement (including town and parish council requirements and special expenses in respect of the Folkestone Parks and Pleasure Grounds Charity), the precepts of Kent County Council, the Kent Police & Crime Commissioner and the Kent & Medway Fire & Rescue Service.

REASONS FOR RECOMMENDATIONS:

Council is asked to agree the recommendations set out below to approve the Budget and set the Council Tax for the year commencing 1 April 2020.

RECOMMENDATIONS:

1. To receive and note Report A/19/29.
2. To approve the District Council's budget for 2020/21 as presented in Appendix 1 to this report and the council tax requirement for 2020/21, to be met from the Collection Fund, of £13,044,673.
3. To approve that the following amounts be now calculated by the Council for the year 2020/21 in accordance with sections 31 to 36 of the Local Government Finance Act 1992 (the Act):
 - a) £105,350,102 – being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) (a) to (f) of the Act (as in Appendix 2).
 - b) £92,305,429 – being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) (a) to (d) of the Act (as in Appendix 2).
 - c) £13,044,673 – being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council, in accordance with Section 31A(4) of the Act, as its council tax requirement for the year (as in Appendix 2).
 - d) £333.55 – being the amount at 3(c) above divided by the tax base of 39,109.15 calculated by the Council, in accordance with Section

31B(1) of the Act, as the basic amount of its council tax for the year.

- e) £3,104,691 – being the aggregate of all special items (including parish precepts) referred to in Section 34(1) of the Act.
- f) £254.16 - being the amount at 3(d) above less the result given by dividing the amount at 3(e) above by the tax base of 39,109.15 calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its council tax for the year for dwellings in those parts of its area to which no special item relates, ie Old Romney and Snargate.

g) Part of the Council's area

Folkestone	348.59	Being the amounts given by adding to the amount at 3(f) above the special items relating to dwellings in those parts of the Council area mentioned here divided in each case by the appropriate tax base calculated by the Council, in accordance with Section 34(3) of the Act, as the basic amounts of its council tax for the year for dwellings in those parts of its area to which one or more special items relate.
Sandgate	329.90	
Hythe	312.32	
Lydd	315.69	
New Romney	385.24	
Acrise	256.45	
Elham	312.54	
Elmsted	271.67	
Hawkinge	362.41	
Lyminge	301.24	
Lympne	304.49	
Monks Horton	263.57	
Newington	301.17	
Paddlesworth	265.04	
Postling	282.25	
Saltwood	279.20	
Sellindge	326.09	
Stanford	295.32	
Stelling Minnis	275.61	
Stowting	270.66	
Swingfield	307.23	
Brenzett	299.02	
Brookland	326.22	
Burmarsh	288.56	
Dymchurch	316.87	
Ivychurch	305.19	
Newchurch	290.53	
Old Romney	254.16	
St Mary in the Marsh	294.73	
Snargate	254.16	

(h) Part of the Council's area**Valuation Bands**

Parish	A £	B £	C £	D £	E £	F £	G £	H £
Folkestone	232.39	271.12	309.86	348.59	426.05	503.52	580.98	697.18
Sandgate	219.93	256.59	293.25	329.90	403.21	476.52	549.83	659.80
Hythe	208.21	242.91	277.61	312.32	381.72	451.12	520.53	624.64
Lydd	210.46	245.54	280.61	315.69	385.84	456.00	526.15	631.38
New Romney	256.83	299.63	342.44	385.24	470.85	556.46	642.07	770.48
Acrise	170.97	199.46	227.96	256.45	313.44	370.43	427.42	512.90
Elham	208.36	243.08	277.81	312.54	381.99	451.44	520.89	625.08
Elmsted	181.11	211.30	241.48	271.67	332.04	392.41	452.78	543.34
Hawkinge	241.61	281.87	322.14	362.41	442.94	523.48	604.01	724.82
Lyminge	200.83	234.30	267.77	301.24	368.18	435.12	502.07	602.48
Lympne	202.99	236.82	270.66	304.49	372.15	439.82	507.48	608.98
Monks Horton	175.72	205.00	234.29	263.57	322.15	380.72	439.29	527.14
Newington	200.78	234.25	267.71	301.17	368.10	435.03	501.96	602.34
Paddlesworth	176.69	206.14	235.59	265.04	323.93	382.83	441.73	530.08
Postling	188.17	219.53	250.89	282.25	344.98	407.70	470.42	564.50
Saltwood	186.13	217.16	248.18	279.20	341.25	403.29	465.34	558.40
Sellindge	217.40	253.63	289.86	326.09	398.56	471.02	543.49	652.18
Stanford	196.88	229.69	262.51	295.32	360.95	426.57	492.20	590.64
Stelling Minnis	183.74	214.36	244.98	275.61	336.85	398.10	459.35	551.22
Stowting	180.44	210.52	240.59	270.66	330.81	390.96	451.11	541.32
Swingfield	204.82	238.96	273.10	307.23	375.51	443.78	512.06	614.46
Brenzett	199.35	232.57	265.80	299.02	365.47	431.92	498.37	598.04
Brookland	217.48	253.73	289.97	326.22	398.71	471.21	543.70	652.44
Burmarsh	192.37	224.44	256.50	288.56	352.68	416.81	480.93	577.12
Dymchurch	211.25	246.46	281.66	316.87	387.29	457.70	528.12	633.74
Ivychurch	203.46	237.37	271.28	305.19	373.01	440.83	508.65	610.38
Newchurch	193.68	225.97	258.25	290.53	355.09	419.65	484.21	581.06
Old Romney	169.44	197.68	225.92	254.16	310.64	367.12	423.60	508.32
St Mary in the Marsh	196.49	229.24	261.98	294.73	360.23	425.73	491.22	589.46
Snargate	169.44	197.68	225.92	254.16	310.64	367.12	423.60	508.32

Being the amounts given by multiplying the amounts at 3(f) and 3(g) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

4. To note that for the year 2020/21 Kent County Council, Kent Police and Crime Commissioner and the Kent & Medway Fire & Rescue Service have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:

	A £	B £	C £	D £	E £	F £	G £	H £
Kent County Council	900.84	1,050.98	1,201.12	1,351.26	1,651.54	1,951.82	2,252.10	2,702.52
Kent Police and Crime Commissioner	135.43	158.01	180.58	203.15	248.29	293.44	338.58	406.30
Kent & Medway Fire & Rescue	52.86	61.67	70.48	79.29	96.91	114.53	132.15	158.58

Major preceptor amounts remained subject to confirmation at the time of preparing this report.

5. That, having calculated the aggregate in each case of the amounts at 3(h) and 4 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of council tax for the year 2020/21 for each of the categories of dwelling shown below:

(i) Part of the Council's area Valuation Bands

Parish	A £	B £	C £	D £	E £	F £	G £	H £
Folkestone	1,321.52	1,541.78	1,762.04	1,982.29	2,422.79	2,863.31	3,303.81	3,964.58
Sandgate	1,309.06	1,527.25	1,745.43	1,963.60	2,399.95	2,836.31	3,272.66	3,927.20
Hythe	1,297.34	1,513.57	1,729.79	1,946.02	2,378.46	2,810.91	3,243.36	3,892.04
Lydd	1,299.59	1,516.20	1,732.79	1,949.39	2,382.58	2,815.79	3,248.98	3,898.78
New Romney	1,345.96	1,570.29	1,794.62	2,018.94	2,467.59	2,916.25	3,364.90	4,037.88
Acrise	1,260.10	1,470.12	1,680.14	1,890.15	2,310.18	2,730.22	3,150.25	3,780.30
Elham	1,297.49	1,513.74	1,729.99	1,946.24	2,378.73	2,811.23	3,243.72	3,892.48
Elmsted	1,270.24	1,481.96	1,693.66	1,905.37	2,328.78	2,752.20	3,175.61	3,810.74
Hawkinge	1,330.74	1,552.53	1,774.32	1,996.11	2,439.68	2,883.27	3,326.84	3,992.22
Lyminge	1,289.96	1,504.96	1,719.95	1,934.94	2,364.92	2,794.91	3,224.90	3,869.88
Lympne	1,292.12	1,507.48	1,722.84	1,938.19	2,368.89	2,799.61	3,230.31	3,876.38
Monks Horton	1,264.85	1,475.66	1,686.47	1,897.27	2,318.89	2,740.51	3,162.12	3,794.54
Newington	1,289.91	1,504.91	1,719.89	1,934.87	2,364.84	2,794.82	3,224.79	3,869.74
Paddlesworth	1,265.82	1,476.80	1,687.77	1,898.74	2,320.67	2,742.62	3,164.56	3,797.48
Postling	1,277.30	1,490.19	1,703.07	1,915.95	2,341.72	2,767.49	3,193.25	3,831.90
Saltwood	1,275.26	1,487.82	1,700.36	1,912.90	2,337.99	2,763.08	3,188.17	3,825.80
Sellindge	1,306.53	1,524.29	1,742.04	1,959.79	2,395.30	2,830.81	3,266.32	3,919.58
Stanford	1,286.01	1,500.35	1,714.69	1,929.02	2,357.69	2,786.36	3,215.03	3,858.04
Stelling Minnis	1,272.87	1,485.02	1,697.16	1,909.31	2,333.59	2,757.89	3,182.18	3,818.62
Stowting	1,269.57	1,481.18	1,692.77	1,904.36	2,327.55	2,750.75	3,173.94	3,808.72
Swingfield	1,293.95	1,509.62	1,725.28	1,940.93	2,372.25	2,803.57	3,234.89	3,881.86
Brenzett	1,288.48	1,503.23	1,717.98	1,932.72	2,362.21	2,791.71	3,221.20	3,865.44
Brookland	1,306.61	1,524.39	1,742.15	1,959.92	2,395.45	2,831.00	3,266.53	3,919.84
Burmarsh	1,281.50	1,495.10	1,708.68	1,922.26	2,349.42	2,776.60	3,203.76	3,844.52
Dymchurch	1,300.38	1,517.12	1,733.84	1,950.57	2,384.03	2,817.49	3,250.95	3,901.14
Ivychurch	1,292.59	1,508.03	1,723.46	1,938.89	2,369.75	2,800.62	3,231.48	3,877.78
Newchurch	1,282.81	1,496.63	1,710.43	1,924.23	2,351.83	2,779.44	3,207.04	3,848.46
Old Romney	1,258.57	1,468.34	1,678.10	1,887.86	2,307.38	2,726.91	3,146.43	3,775.72
St Mary in the Marsh	1,285.62	1,499.90	1,714.16	1,928.43	2,356.97	2,785.52	3,214.05	3,856.86
Snargate	1,258.57	1,468.34	1,678.10	1,887.86	2,307.38	2,726.91	3,146.43	3,775.72

6. To determine that the District Council's basic amount of council tax for 2020/21 is not excessive in accordance with principles approved under Section 52ZB of the Local Government Finance Act 1992.

1. INTRODUCTION

- 1.1 This report concludes the budget setting process for 2020/21.
- 1.2 Cabinet considered the Council's final General Fund budget for 2020/21 and the council tax requirement at its earlier meeting on 19 February 2020. Cabinet has approved the General Fund Revenue Budget, a summary of which is included at Appendix 1. The draft budget was subject to review by Overview and Scrutiny Committee on 10 December 2019. It was also published for public consultation during late December and throughout January.
- 1.3 This report makes recommendations to enable the Council to set the council tax for each part of its area, after taking into account its council tax requirement for 2020/21 (including town and parish council requirements and special expenses in respect of the Folkestone Parks and Pleasure Grounds Charity) and the precepts of Kent County Council, the Kent Police & Crime Commissioner and Kent & Medway Fire & Rescue Service. Changes in respect of the major precept assumptions may result in a revised report having to be tabled.
- 1.4 The proposed General Fund budget for 2020/21 results in an increase to the average council tax at Band D of £5.04 (1.91%) to £268.38. This is the amount that Central Government monitors when considering whether any increase in council tax is excessive. The council tax bill separates out the special expenses element for Folkestone and Sandgate payers from this amount.

2. GENERAL FUND REVENUE BUDGET 2020/21

- 2.1 The General Fund budget has been prepared on the basis of the Council's approved Medium Term Financial Strategy (MTFS) and Budget Strategy. It also takes into account announcements, where relevant, in the Chancellor's Spending Round 2019; and the Provisional Local Government Finance Settlement for 2020/21. The Final Local Government Finance Settlement has been reported in early February and has not made any significant changes from the provisional settlement position.
- 2.2 Initially the MTFS projected a shortfall of £357k. Further work has identified significant savings and changes to fees & charges along with the use of reserves for one-off growth items has resulted in a balanced budget now being presented to Members for approval.

General Fund Revenue Budget 2020/21

- 2.3 The 2020/21 budget (excluding town and parish precepts and before any withdrawal from the General Reserve) is £14,249,108. The budget details are set out at Appendix 1.

Town and Parish Precepts

- 2.4 Town and parish precepts form part of the council tax requirement. Total local council precepts in 2020/21 are £2,548,751 – an increase of £235,648 (10.2%) in cash terms compared to £2,313,103 in the current year. An

increase in precepts increases the council tax requirement and affects the average tax calculation; however it is not taken into account by the Government when monitoring 'excessive' increases. Town and parish councils are not currently subject to referendums.

Council Tax Requirement

- 2.5 The statutory calculation for the council tax requirement is shown at Appendix 2. This sets out gross expenditure and gross income, including the Housing Revenue Account and overall changes to reserves. The outcome results in recommendations 3(a), (b) and (c).

3. GENERAL FUND REVENUE RESERVES

- 3.1 The Council's reserves position is shown below:

Reserve	1/4/2019 Balance £000	2019/20 Movement £000	31/3/2020 Balance £000	2020/21 Movement £000	31/3/2021 Balance £000
Earmarked Reserves:					
Business Rates	5,496	329	5,825	(4,426)	1,399
Carry Forward	723	(401)	322	0	322
Corporate Initiatives	404	454	858	(136)	722
IFRS ¹ Reserve	38	(7)	31	(23)	8
Invest to Save	366	0	366	(366)	0
Leisure	197	50	247	(100)	147
New Homes Bonus (NHB)	2,524	(164)	2,360	(18)	2,342
VET ² Reserve	637	(370)	267	(50)	217
Economic Development	2,901	1,326	4,227	(2,239)	1,988
Otterpool	2,129	(1,394)	735	(735)	0
Maintenance of Graves	12	0	12	0	12
Community Led Housing	437	(20)	417	(52)	365
Lydd Airport	9	0	9	0	9
Homelessness Prevention	319	0	319	0	319
High Street Regeneration	0	3,000	3,000	(468)	2,532
Climate Change	0	0	0	5,000	5,000
Total Earmarked Reserves	16,192	2,803	18,995	(3,613)	15,382
General Reserve	6,513	490	7,003	0	7,003
Total General Fund Reserves	22,705	3,293	25,998	(3,613)	22,385

¹ IFRS = International Financial Reporting Standards

² VET = vehicles, equipment and technology

- 3.2 The General Reserve is forecast to be £7.0m by 31 March 2021 and total General Fund Reserves (General Reserve plus Earmarked Reserves) are forecast to be £22.4m at 31 March 2021.
- 3.3 These forecasts are based on the current projected outturn position for 2019/20 and on the assumption that in-year budget variances are contained within the overall approved 2020/21 budget. Any emerging issues in 2019/20 which have a revenue impact will affect the forecast position of the General Reserve.

4. CALCULATING COUNCIL TAX IN RESPECT OF DISTRICT AND PARISH REQUIREMENTS

4.1 The Council must calculate a 'basic amount' of tax for all Band D properties in each part of the district, taking into account not only the net expenditure of the District Council but also the precepts of the town and parish councils and the net expenditure of the Folkestone Parks and Pleasure Grounds Charity, which are charged to their local areas.

4.2 This net expenditure is known as the council tax requirement and is determined after taking in to account retained non-domestic rates, revenue support grant and the Council's share of the Collection Fund surplus. The calculation is set out at section 4.4 below.

4.3 The result of the calculation is divided by the Tax Base to give the tax rate. The Tax Base for 2020/21 of 39,109.15 Band D equivalent properties was approved by Corporate Director – Customers, Support and Specialist Services on 10 December 2019 via delegated authority through the constitution and is recommended to Full Council as part of this report.

4.4 The basic amount of tax (average District tax) is as follows:

	£
Expenditure - see Appendix 2	105,350,102
Income - see Appendix 2	(92,305,429)
Council Tax Requirement- demand on the Collection Fund	13,044,673
Divided by Tax Base	÷ 39,109.15
Basic amount of Council Tax - average District council tax	£333.55

The calculations for the basic amounts for each part of the District are set out at Appendices 3 and 4.

4.5 The average District council tax for Band D properties, including town and parish precepts, will be £333.55. This is an increase of £10.99 (3.41%) over 2019/20.

4.6 For the purposes of measuring Folkestone & Hythe's council tax increase against the Government's referendum criteria, the amount in respect of town and parish precepts is excluded.

Band D Tax Rates	2020/21 £	2019/20 £	Increase (Decrease)
Band D Council Tax - including Town and Parish precepts	333.55	322.56	3.41%
Town and Parish precepts - Band D equivalent	(65.17)	(59.22)	10.05%
Band D Council Tax - excluding Town and Parish precepts	268.38	263.34	1.91%

4.7 The average Council Tax to finance Folkestone & Hythe's net expenditure plans in 2020/21, including Special Expenses, is proposed to increase by £5.04 (1.91%) to £268.38.

- 4.8 The Council Tax applicable to dwellings in valuation bands other than Band D has been calculated in accordance with the proportions set out in the Act. The result of these calculations is set out in recommendation 3(h).

5. SETTING THE TOTAL AMOUNTS OF COUNCIL TAX FOR EACH PART OF THE DISTRICT

- 5.1 The final step in setting the council tax is for the Council to aggregate the District council tax with the precepts of Kent County Council, Kent Police and Crime Commissioner and Kent & Medway Fire & Rescue Service. The County, Police and Fire & Rescue precepts remain to be confirmed at the time of preparing this report.
- 5.2 Kent County Council, the Kent Police & Crime Commissioner and Kent & Medway Fire & Rescue Service plan to issue precepts of £52,846,630; £7,945,024; and £3,100,965 respectively. The County Council's precept includes £4,639,127 for the Adult Social Care precept which will be itemised separately on council tax bills.
- 5.3 The average total tax at Band D is summarised in the table below, confirming an overall increase of £74.36 (3.93%).

Authority	2020/21 £	2019/20 £	Increase £	Increase %
Folkestone & Hythe DC - including Special Expenses	268.38	263.34	5.04	1.91%
Town and Parish Councils	65.17	59.22	5.95	10.05%
Total District Council	333.55	322.56	10.99	3.41%
Kent County Council	1,351.26	1,299.42	51.84	3.99%
Kent Police Commissioner	203.15	193.15	10.00	5.18%
Kent & Medway Fire & Rescue	79.29	77.76	1.53	1.97%
Total	1,967.25	1,892.89	74.36	3.93%

- 5.4 Appendix 4 sets out the result of adding the precept figure to the District council tax for each part of the District and Recommendation 5 seeks approval to the council tax for each area analysed over the tax bands.
- 5.5 The relative elements of the average council tax charge for 2020/21 are as follows:

Council Tax 2020/21 – Band D	2020/21 £	% of total bill
Folkestone & Hythe DC (including Special Expenses)	268.38	13.64%
Town and Parish Councils	65.17	3.31%
Total District Council	333.55	
Kent County Council	1,351.26	68.69%
Kent Police Commissioner	203.15	10.33%
Kent Fire and Rescue Service	79.29	4.03%
Total	1,967.25	

6. ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES

- 6.1 The Local Government Act 2003 requires the Council's Chief Finance Officer to give an opinion on the robustness of the budget and adequacy of the reserves. This statement is set out in full at Appendix 5.

7. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

7.1 Legal Officer's Comments (NE)

The Council must consistently comply with the Local Government Finance Act 1992 (as amended) and associated legislation. All the legal issues have been covered in the body of this report.

7.2 Finance Officer's Comments (CI)

This report and appendices cover all financial matters necessary to enable Council to make the determinations in accordance with the Local Government Finance Act 1992 as amended by the Localism Act 2011.

7.3 Diversities and Equalities Implications (CS)

The Equality Impact Assessment is attached at Appendix 6.

8. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting:

Cheryl Ireland, Lead Accountant

Telephone: 01303 853213

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Charlotte Spendley, Director of Corporate Services

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The following background documents have been relied upon in the preparation of this report:

- Budget working papers
- 16 October 2019 - Report to Cabinet and Council - Medium Term Financial Strategy for the period 2020/21 to 2023/24
- 13 November 2019 - Reports to Cabinet - Budget Strategy 2020/21 and Fees & Charges 2020/21
- 11 December 2019 - Report to Cabinet - Draft General Fund Original Revenue Budget 2020/21
- 22 January 2020 - Report to Cabinet - Update to the General Fund Medium Term Capital Programme

Appendices:

Appendix 1 - General Fund Budget 2020/21

Appendix 2 - Calculation of District Council's Council Tax Requirement in accordance with Section 31A of the Local Government Finance Act 1992.

Appendix 3 - Calculation of Basic Amounts of Council Tax in accordance with Sections 31B and 34 of the Local Government Finance Act 1992.

Appendix 4 - Council Tax Calculations at Band D for each Area in the District.

Appendix 5 - Robustness of the Estimates and Adequacy of Reserves.

Appendix 6 - Equality Impact Assessment

APPENDIX 1

2019/20		2020/21 Draft Original Budget December 2019 £	2020/21 Updated Original Budget February 2020 £
Original Budget £			
	SUMMARY OF NET EXPENDITURE		
	Service Heads		
354,240	Director of Corporate Services	236,790	270,790
700,370	Leadership Support	589,150	689,150
5,983,150	Governance, Law & Service Delivery	6,410,390	6,462,720
597,040	Human Resources	656,840	662,840
7,578,480	Finance, Strategy & Support Services	7,810,230	7,869,250
925,840	Strategic Development	818,300	1,258,840
596,480	Economic Development	544,060	1,012,470
513,400	Planning	504,060	504,060
2,544,140	Environment & Corporate Assets	1,433,590	1,562,330
(1,980,500)	Recharges	(1,900,500)	(2,000,500)
(340,000)	Net Unallocated Employee Costs	(24,000)	65,000
17,472,640	TOTAL HEAD OF SERVICE NET EXPENDITURE	17,078,910	18,356,950
461,830	Internal Drainage Board Levies	471,067	474,089
431,000	Interest Payable and Similar Charges	486,000	486,000
(848,000)	Interest and Investment Income	(793,200)	(793,200)
(1,542,740)	New Homes Bonus Grant	(1,195,675)	(1,422,422)
(1,815,160)	Other non-service related Government Grants	(1,815,608)	(1,791,912)
14,159,570	TOTAL GENERAL FUND NET OPERATING EXPENDITURE	14,231,494	15,309,505
2,110,247	Net Transfers to/(from) Earmarked Reserves	(2,488,080)	(3,613,107)
(3,000,000)	Contribution from General Reserve		
373,370	Minimum Revenue Provision	874,000	874,000
138,000	Capital Expenditure funded from Revenue	1,909,000	1,678,710
13,781,187	TOTAL TO BE MET FROM REVENUE SUPPORT GRANT AND LOCAL TAXPAYERS	14,526,414	14,249,108
2,313,103	Town and Parish Council Precepts	2,359,365	2,548,751
(3,495,940)	Business Rates Income	(3,576,117)	(3,753,186)
12,598,350	TOTAL TO BE MET FROM DEMAND ON THE COLLECTION FUND AND GENERAL RESERVE	13,309,662	13,044,673
(12,598,350)	Council Tax - Demand on Collection Fund	(12,953,256)	(13,044,673)
0	(SURPLUS) / DEFICIT FOR YEAR	356,406	0

APPENDIX 2

CALCULATION OF DISTRICT COUNCIL'S COUNCIL TAX REQUIREMENT IN ACCORDANCE WITH SECTION 31A OF THE LOCAL GOVERNMENT FINANCE ACT 1992

EXPENDITURE (including additions to Reserves and Contingencies)	£	£
1. Gross Revenue Expenditure (excl. Special Items)	100,397,169	
2. Special Items		
a) Special Expenses	555,940	
b) Parish Precepts	2,548,751	
3. Addition to Reserves		
a) New Homes Bonus Reserve	1,422,422	
b) Vehicles, Equipment and Technology	166,200	
c) Leisure Reserve	50,000	
4. Allowance for contingencies in the year	209,620	
TOTAL EXPENDITURE Recommendation 3(a)		105,350,102
INCOME (including use of Reserves)		
1. Gross Revenue Income	(83,689,241)	
2. Use of Reserves		
a) New Homes Bonus Reserve	(1,440,747)	
b) Economic Development Reserve	(1,333,491)	
c) Business Rates Reserve	(765,000)	
d) Otterpool Reserve	(735,163)	
e) High Street Regeneration Reserve	(468,408)	
f) Vehicles, Equipment and Technology	(216,000)	
g) Leisure Reserve	(150,000)	
h) Corporate Initiatives Reserve	(68,000)	
i) Community Led Housing	(52,330)	
j) IFRS Reserve	(22,590)	
k) Housing Revenue Account	(3,364,459)	
TOTAL INCOME Recommendation 3(b)		(92,305,429)
COUNCIL TAX REQUIREMENT Recommendation 3 (c)		13,044,673

APPENDIX 3

CALCULATION OF BASIC AMOUNTS OF COUNCIL TAX IN ACCORDANCE WITH SECTIONS 31B AND 34 OF THE LOCAL GOVERNMENT FINANCE ACT 1992

1. **BASIC AMOUNT OF TAX**
 - a) Council Tax Requirement £13,044,673
Recommendation 3(c)
 - b) Divided by Tax Base 39,109.15
 - c) Basic amount of Tax £333.55
Recommendation 3(d)
2. **BASIC AMOUNT OF TAX FOR THOSE PARTS OF AREA TO WHICH NO SPECIAL ITEMS RELATE**
 - a) Basic amount of tax £333.55
Recommendation 3(d)
 - b) Special Expenses £555,940
 - c) Parish Precepts £2,548,751
 - d) Special Items £3,104,691
Recommendation 3(e)
 - e) Divided by Tax Base 39,109.15 (£79.39)
 - f) Basic Amount of Tax for Areas with no
Special Items £254.16
Recommendation 3(f)
See Appendix 4 for individual parishes
3. **BASIC AMOUNT OF TAX FOR THOSE PARTS OF AREA TO WHICH SPECIAL ITEMS RELATE**
 - a) Basic Amount of Tax for Areas with no
Special Items £254.16
Recommendation 3(f)
 - b) Special Items for each individual area of the
District £X
 - c) Divided by Tax Base for each individual area
of the District Y = £Z
 - d) Basic Amount of Tax for Areas with Special
Items £254.16 + £Z
Recommendation 3(g)
See Appendix 4 for individual parishes

APPENDIX 4

COUNCIL TAX CALCULATIONS AT BAND D FOR EACH AREA IN THE DISTRICT

Area	Precepts	+ F/stone Parks Charity	= Special Items	÷Tax Base	= Council Tax for Special Items	+ Council Tax for General Items	= District* Council Tax	+ KCC, Police and Fire Precepts	= Total Council Tax
	£	£	£		£	£	£	£	£
Folkestone	873,950	490,155	1,364,105	14,445.85	94.43	254.16	348.59	1,633.70	1,982.29
Sandgate	81,063	65,785	146,848	1,938.83	75.74	254.16	329.90	1,633.70	1,963.60
Hythe	361,155		361,155	6,210.10	58.16	254.16	312.32	1,633.70	1,946.02
Lydd	134,500		134,500	2,185.88	61.53	254.16	315.69	1,633.70	1,949.39
New Romney	366,369		366,369	2,794.91	131.08	254.16	385.24	1,633.70	2,018.94
Acrise	200		200	87.24	2.29	254.16	256.45	1,633.70	1,890.15
Elham	42,705		42,705	731.54	58.38	254.16	312.54	1,633.70	1,946.24
Elmsted	2,750		2,750	157.05	17.51	254.16	271.67	1,633.70	1,905.37
Hawkinge	327,276		327,276	3,023.39	108.25	254.16	362.41	1,633.70	1,996.11
Lyminge	54,720		54,720	1,162.27	47.08	254.16	301.24	1,633.70	1,934.94
Lympne	33,000		33,000	655.69	50.33	254.16	304.49	1,633.70	1,938.19
Monks Horton	597		597	63.42	9.41	254.16	263.57	1,633.70	1,897.27
Newington	7,000		7,000	148.89	47.01	254.16	301.17	1,633.70	1,934.87
Paddlesworth	200		200	18.39	10.88	254.16	265.04	1,633.70	1,898.74
Postling	3,200		3,200	113.91	28.09	254.16	282.25	1,633.70	1,915.95
Saltwood	10,000		10,000	399.34	25.04	254.16	279.20	1,633.70	1,912.90
Sellindge	50,000		50,000	695.08	71.93	254.16	326.09	1,633.70	1,959.79
Stanford	8,000		8,000	194.36	41.16	254.16	295.32	1,633.70	1,929.02
Stelling Minnis	6,720		6,720	313.32	21.45	254.16	275.61	1,633.70	1,909.31
Stowting	2,000		2,000	121.19	16.50	254.16	270.66	1,633.70	1,904.36
Swingfield	25,651		25,651	483.30	53.07	254.16	307.23	1,633.70	1,940.93
Brenzett	6,300		6,300	140.43	44.86	254.16	299.02	1,633.70	1,932.72
Brookland	12,000		12,000	166.53	72.06	254.16	326.22	1,633.70	1,959.92
Burmarsh	3,977		3,977	115.61	34.40	254.16	288.56	1,633.70	1,922.26
Dymchurch	83,000		83,000	1,323.52	62.71	254.16	316.87	1,633.70	1,950.57
Ivychurch	4,918		4,918	96.38	51.03	254.16	305.19	1,633.70	1,938.89
Newchurch	4,500		4,500	123.74	36.37	254.16	290.53	1,633.70	1,924.23
Old Romney	-		-	85.00	-	254.16	254.16	1,633.70	1,887.86
St Mary in the Marsh	43,000		43,000	1,059.82	40.57	254.16	294.73	1,633.70	1,928.43
Snargate	-		-	54.17	-	254.16	254.16	1,633.70	1,887.86
	2,548,751	555,940	3,104,691	39,109.15					

*Recommendation 3(f) and 3(g)

ROBUSTNESS OF THE ESTIMATES AND ADEQUACY OF RESERVES

Introduction

The council has a legal duty to produce a balanced budget and must take all reasonable factors into account when doing so. Under the Local Government Act 2003 section 25(1) (b), the Chief Finance Officer (CFO) must advise the council about the **robustness of the budget** and the **adequacy of the council's reserves** when it considers its budget and council tax. The Act requires Members to have regard to this report in making their decisions.

As the council's CFO, I confirm that in my opinion the draft budget is robust and the proposed level of reserves is adequate in respect of the proposed budget for 2020/21. The reasons for this opinion are set out below.

Members should note that if they wish to depart from or amend the draft Budget, the comments within this Appendix may require revision.

Background

The financial pressures faced by Local Authorities are widely known and the sector has undergone significant funding changes in recent years, prompting a change to our approach as we transition away from a reliance on central government grant funding.

The Local Government Finance Settlement figures for 2020/21 were issued on 20 December 2019. Due to the wider political turbulence during 2019 the Fair Funding Review anticipated to be implemented in 2020/21 was deferred and a one year spending round was announced for 2020/21 in September 2019. The Spending Round 2019 also confirmed that the Business Rates baseline review would also be deferred until 2021/22. Through the settlement our Business Rates pooling arrangement with Kent & Medway authorities was confirmed to continue for 2020/21 which will operate under the 50% retention scheme for a further year. The settlement also confirmed a Council Tax increase of 2% (or £5) for the Council be permissible under the referendum limits.

The Council has in recent year's demonstrated strong financial performance adding to the reserves in place which has helped to buffer the impact and manage the uncertainties experienced of late within the sector.

Despite the Council's past strong financial performance and the currently robust position, the Council must remain prudent in its approach in particular until the outcome of the Fair Funding Review, the future Spending Review is known and the Medium Term Financial Strategy gap is addressed.

Robustness of the Estimates

In assessing the robustness of the estimates this statement looks at the key factors and risk areas associated with the proposed 2020/21 budget and how they have been and can be managed.

The MTFS

In considering the budget calculations for 2020/21 regard should be had to the medium term financial position of the council and the future of local government funding. It was anticipated that clarity would have been available regarding the future of Business Rates retention and wider funding by this time but that is not the case. The technical consultation is anticipated to be available in the Spring and will be evaluated and incorporated into an update MTFS in due course.

The current MTFS was considered by Cabinet and Full Council in October 2019, and identified a gap for 2020/21 of £357k and over its term (2020/21 – 2023/24) of £4 million.

The council has various strategies in place to address the medium term funding gap. The multi-pronged approach to achieving a balanced position is set out in the MTFS and Budget Strategy. Specific initiatives include:

- the Transformation Programme
- the council's regeneration and housing company, Oportunitas
- a range of Strategic Development Projects and investment opportunities
- continued emphasis on economic development and building more homes including Otterpool Park Garden Town
- the use of reserves to ensure future financial sustainability.

Development of Budgets

Following consideration of the MTFS in October 2019 and the 2020/21 Budget Strategy together with the proposed Fees and Charges 2020/21 were approved by Cabinet in November 2019. Prior to this, both were subject to scrutiny by the Overview & Scrutiny Committee.

In December 2019 the 2020/21 General Fund Draft Budget was examined in detail by the Overview & Scrutiny Committee. All Chief Officers and Assistant Directors were present for this debate to aid the discussion on the proposals made. The Medium Term Capital Programme and the HRA Revenue and Capital budgets were presented for scrutiny in January 2020.

This statement accompanies the General Fund Budget and council tax requirement to be considered for approval by Full Council following a final update report to Cabinet on the same day.

This report is the culmination of the budget process; detailed work has taken place behind the scenes with finance officers, budget holders, Chief Officers, Assistant Directors and CLT to ensure the budget estimates are robust. In addition to this there have been regular updates to Informal Cabinet.

The budget-setting process commenced with detailed budget guidelines covering the General Fund, HRA and Capital Programme that were issued in late summer. This aided a consistent approach to preparing the budget estimates. During August and September the Finance staff worked with budget holders to review all controllable costs, agree the salary budgets and build the base budget. Staff establishment salary budgets were prepared based on the approved structure for each cost centre on a post by post basis. Assistant Directors and Chief Officers were asked to work with their budget holders and Finance Officer to assess the need for growth in their areas and identify efficiency proposals. These proposals alongside the proposed fees and charges schedules (developed in accordance with the policy framework) were scrutinised by the Corporate Leadership Team (CLT) before the incorporation of them in the November round of Cabinet papers.

The budget estimates included assumptions around a number of key factors. The process for determining the 2019/20 budget has again required the majority of budgets to be cash limited. The only budgets that have been adjusted for inflation are salaries and existing inflationary commitments in relation to contracts. A provision for pay awards has been made.

Estimates have also taken account of the financial implications of the council's Capital Programme and the level of financing required to meet the expenditure demanded. The capital programme is fully funded as presented to Members. This is based on the use of reserves and the investment of future income streams.

The proposed Capital Programme includes significant investment in the Otterpool Park Garden Town development. This project has progressed at pace during the previous 12 months but it remains a long term project with a life of around 30 years for its full development. This project does offer a unique opportunity to the council, but it is not without risk. Appropriate advice has been taken (legal, financial, tax, market etc) at each key stage and the council will need to continue to do so in order to ensure robust informed decisions are taken at the appropriate times as the project progresses.

The Budget Strategy process identified combined growth of £ £1.27m which included ICT funding to aid the transformation of our core services. Savings of £1.003m were identified, and a further £149k through a review of the current charging levels for income. The baseline budget for 2020/21 incorporated £600k of transformation savings and further savings are anticipated for future years.

The Budget includes an assumption of Council Tax increases (including the special expense) of 1.91%. This is within the referendum limit and is an important element in determining a balanced budget both for the coming financial year but also one sustainable for the future.

The Council also draws income from the Business Rates scheme. Business rates funding is dependent on the council's ability to retain and grow its business rates base. As a result, estimates have had to be made for the level of income taking into account various assumptions about the number of businesses, appeals against rateable values and levels of collection. I am satisfied with the estimates made

and feel they reflect a fair and balanced approach based on the information available at this time.

Mitigating Risks

To assist with mitigating the risks associated with budget preparation there is a CLT contingency within the budget to allow for unforeseen events and to assist with ensuring corporate priorities are delivered.

Stringent budget monitoring will continue to be undertaken, with particular emphasis being placed on monitoring income targets, salary costs, high-risk expenditure items and volatile funding sources. Prompt responses to in-year projected deficits will be demanded by Cabinet Members and Senior Officers. The financial monitoring system covers both revenue and capital expenditure and work is being undertaken to bring forward and continually improve the budget preparation process.

The Council has a depth of experience budget managers across its service areas and a strong finance team. We will continue to provide updates to budget managers and will support finance staff with relevant training and professional development to maintain this position.

In conclusion I am satisfied that officers have undertaken a robust and thorough approach to the setting of the budget for 2020/21. I am satisfied with the estimates in place that determine the setting of the budget and council tax for the coming financial year. The council will continue to assess the position in year, ensure it remains within the budget set and react promptly to address any changes identified. In addition, we will continue to give consideration to closing future budget gaps, acting proactively over the year and assessing funding updates when they become available.

Adequacy of Reserves

The requirement for financial reserves is acknowledged in statute (Local Government Finance Act 1992). The level of working balances and reserves held by a council is not prescribed. The minimum prudent level of reserves that the council should maintain is a matter of judgment.

The current approach of the council reflects the guidance issued within LAAP Bulletin 99. This sets out that reserves should be held for three main purposes:

- a **working balance** to help cushion the impact of uneven cash flows and avoid the need for temporary borrowing;
- a **contingency** to cushion the impact of unexpected events or emergencies;
- **earmarked reserves** to meet known or predicted requirements.

The Council held £16.2m in Earmarked Reserves and £6.5m in the General Reserve on 1 April 2019, and through this budget setting process anticipates to hold £15.4m in Earmarked Reserves and £7m in the General Reserve by 31 March 2021. Whilst there are movements anticipated both contributing to and withdrawing

from, the council is managing its reserves position prudently, and is anticipated to continue to do so over the coming year.

This position is also reflected in the CiPFA Financial Resilience Index which identified the council as being at the lower end of the risk profile when compared to 'nearest neighbours' in considering indicators of financial stress in respect of our reserves positions. These indicators include the reserves sustainability measure (which considers current levels of reserves and average changes in levels of reserves).

There are serious consequences of not keeping a minimum prudent level of reserves as the council would be unable to manage unexpected events and need to make decisions which could have a detrimental impact on the communities it serves.

The council reviews annually the adequacy of the reserve levels taking into account the council's exposure to risk, the systems of internal control, the robustness of the estimates, adequacy of financial management arrangements, our track record on budget monitoring, the strength of financial reporting, capacity to manage in year budget pressures and cash flow requirements to determine appropriate levels for the reserves. The monitoring and control systems in place are robust and identify at an early stage any significant variations within the council's activities.

The Medium Term Financial Strategy outlines the proposed required minimum level of reserves (General Fund £2.5m; HRA £2.0m) and also how we would assess the adequacy of our reserves levels.

Having considered the current level of reserves held, the anticipated levels of reserves through to end of 2020/21, the proposed budget and the financial controls & reporting in place I am satisfied that the required minimum level of reserves remain appropriate and the level of reserves held are appropriate, robust and sustainable at this time.

Charlotte Spendley FCCA (Chief Finance Officer)
10 February 2020

EQUALITY IMPACT ASSESSMENT

Directorate: Corporate Services
Service: Finance

Accountable Officer: Charlotte Spendley
Telephone & e-mail: 07935 517986
charlotte.spendley@folkestone-hythe.gov.uk

Date of assessment: 6 February 2020

Names & job titles of people carrying out the assessment:
Charlotte Spendley, Director of Corporate Services
Cheryl Ireland, Lead Accountant, Corporate Services

Name of service/function/policy etc: General Fund Revenue Budget 2020/21

Is this new or existing? Annual production of Council's General Fund Budget and Council Tax Setting.

Stage 1: Screening Stage

1. Briefly describe its aims & objectives

The council's Corporate Plan informs preparation of the Medium Term Financial Strategy (MTFS) and Budget Strategy which underpin preparation of the General Fund Revenue Budget each year.
--

The Budget is the detailed financial plan of how the council will operate its day to day activities to achieve corporate objectives.
--

2. Are there external considerations? (legislation/government directive etc.)

The council is required to comply with the Local Government Finance Act 1992 (as amended) and associated legislation when setting the budget and council tax. The position is also informed by the Local Government Settlement, which this year was provisionally announced on 20 December 2019.
--

3. Who are the stakeholders and what are their interests?

The main stakeholders are local taxpayers, the electorate, Members and central government.
--

The General Fund budget report sets out planned expenditure and income for day to day service delivery activities. It informs taxpayers and the electorate
--

about how council tax, government grants, business rates and other sources of income are utilised. It enables them to see in financial terms how Corporate Plan objectives will be delivered and how the council will deliver services and statutory functions during the year.

Members approve the budget and council tax. Their responsibility is to ensure that there are adequate resources to deliver policies and services and that approved budgets are used for the specified purpose. Stakeholders are consulted during budget setting and may challenge the council if they identify any matters of concern in how these responsibilities are fulfilled.

Actual expenditure and income compared to the approved budget is monitored on a monthly basis throughout the year and is reported to Members every quarter. The approved budget is also reported to Central Government via an annual return.

4. What outcomes do we want to achieve and for whom?

The aim is to achieve a balanced budget that reflects the Medium Term Financial Strategy and Budget Strategy to satisfy the stakeholders as identified in 3. Also to ensure that the Council's statutory responsibilities are fulfilled.

5. Has any consultation/research been carried out?

Yes.

Internally - consultation took place with the Corporate Leadership Team (CLT), Cabinet Members, Assistant Directors, Chief Officers and budget managers through their involvement in setting strategies. This informs the MTFS, the Budget Strategy, the annual budget and the fees & charges strategy. Chief Officers/budget managers are also asked to seek to align their budget and service plans annually. Budget Managers, Chief Officers and Assistant Directors contribute towards the agreed growth and savings identified within both the budget strategy & detailed budget proposed. The budgets are set in consultation with budget managers and signed off by service heads. Ultimately the budget is reviewed by CLT, Overview & Scrutiny Committee and Cabinet before being approved by Full Council.

Externally - during December & January the Council undertook public budget consultation which was available online and promoted both on the webpage and through social media channels. As well as dedicated information being available online, officers also presented to and heard views from the Business Advisory Board and the Joint Parish Council Committee.

6. Are there any concerns at this stage which indicate the possibility of inequalities/negative impacts? (Consider and identify any evidence you have - equality data relating to usage and satisfaction levels, complaints, comments,

research, outcomes of review, feedback and issues raised at previous consultations, known inequalities) If so please provide details.

All these considerations will have been taken into account when EIAs have been completed by Service Heads for strategies that affect their services. Any negative impacts will have been reviewed at that stage.

There are no direct concerns at this time. No specific issues have been identified in relation to the proposed growth and savings incorporated within this budget position.

In addition, all reports to CLT, Cabinet and Council require implications to be considered – this includes financial implications.

7. Could a particular protected characteristic be affected differently in either a negative or positive way? (Positive – it could benefit, Negative – it could disadvantage, Neutral – neither positive nor negative impact or Not sure?)

	Type of impact, reason & any evidence
Disability	Not applicable – individual service strategies and plans will address these impacts before they are included in the budget.
Race (including Gypsy & Traveller)	Not applicable – individual service strategies and plans will address these impacts before they are included in the budget.
Age	Not applicable – individual service strategies and plans will address these impacts before they are included in the budget.
Gender	Not applicable – individual service strategies and plans will address these impacts before they are included in the budget.
Transgender	Not applicable – individual service strategies and plans will address these impacts before they are included in the budget.
Sexual Orientation	Not applicable – individual service strategies and plans will address these impacts before they are included in the budget.
Religion/Belief	Not applicable – individual service strategies and plans will address these impacts before they are included in the budget.
Pregnancy & Maternity	Not applicable – individual service strategies and plans will address these impacts before they are included in the budget.
Marriage/ Civil Partnership Status	Not applicable – individual service strategies and plans will address these impacts before they are included in the budget.

8. Could other socio-economic groups be affected e.g. carers, ex-offenders, low incomes?

No direct concerns have been identified through this process, service heads will evaluate impacts ahead of the budget proposals being made.

9. Are there any human rights implications?

None have been identified at this time.

10. Is there an opportunity to promote equality and/or good community relations?

Yes – This will have been considered through the Corporate Plan and individual strategies and service plans before they are included in the budget. Public consultation ran for over a month to gain community input into the process.

11. If you have indicated a negative impact for any group is that impact legal? (not discriminatory under anti-discrimination legislation)

Not applicable

12. Is any part of this policy/service to be carried out wholly or partly by contractors?

No

Please note that normally you should proceed to a Stage 2: Full Equality Impact Assessment Report if you have identified actual, or the potential to cause, adverse impact or discrimination against different groups in the community. (Refer to Quick Guidance Notes at front of template document)

13. Is a Stage 2: Full Equality Impact Assessment Report required?

No

14. Date by which Stage 2 is to be completed and actions

N/A

Please complete

We are satisfied that an initial screening has been carried out and a full impact assessment **is not required**.*

Completed by: Cheryl Ireland
Role: Lead Accountant

Date: 5 February 2020

Countersigned by: Charlotte Spendley Date: 6 February 2020
Role: Director of Corporate Services (Chief Finance Officer)

This Report will be made
public on 11 February
2020

Report Number **A/19/27**

To: Council
Date: 19 February 2020
Status: Non-Key Decision
Head of Service: Charlotte Spendley, Director of Corporate Services
Cabinet Members: Councillor David Monk, Leader of the Council and
Councillor David Godfrey, Housing, Transport and
Special Projects

SUBJECT: HOUSING REVENUE ACCOUNT REVENUE AND CAPITAL
ORIGINAL BUDGET 2020/21

SUMMARY: This report sets out the Housing Revenue Account Revenue and Capital Budget for 2020/21 and proposes an increase in weekly rents and an increase in service charges for 2020/21

REASONS FOR RECOMMENDATION:

Council is requested to agree the recommendations set out below as the Local Government Housing Act 1989 requires the Council, as a Local Housing Authority, to keep a separate Housing Revenue Account and to produce estimates to ensure that the account does not go into deficit. The authority also has a duty to set and approve rents in accordance with government guidelines that are outlined in the self-financing determination. The Constitution requires that the annual Budget and any variations to the Budget are approved by Council.

RECOMMENDATIONS:

1. To receive and note Report A/19/27.
2. To approve the Housing Revenue Account Budget for 2020/21. (Refer to paragraph 2.1 and Appendix 1)
3. To approve the increase in rents of dwellings within the HRA on average by £2.22 per week, representing a 2.7% increase with effect from 1 April 2020. (Refer to paragraph 3.2)
4. To approve the increase in service charges. (Refer to section 3.5)
5. To approve the Housing Revenue Account Capital Programme budget 2020/21. (Refer to paragraph 4.1 and Appendix 2)
6. To approve the additional funding to be allocated between 2020/21 – 2022/23 of £10 million for the investment into the existing housing stock through an enhanced capital programme. (Refer to paragraph 4.1.3).

1. INTRODUCTION

- 1.1 The Housing Revenue Account (HRA) is a ring-fenced account and is outlined and projected within the HRA Business Plan. The HRA Business Plan determines HRA budget setting, as estimates need to be closely aligned to the model to ensure that the HRA remains financially viable.
- 1.2 The Reform of Council Housing Finance came into effect from 1 April 2012, and significantly brought an end to the subsidy system where authorities such as Folkestone & Hythe made a contribution to the national pot. Instead, authorities are now part of the self-financing arrangements following a re-distribution of the national housing debt and the abolition of rent restructuring.
- 1.3 In October 2018, Government announced the removal of the HRA borrowing cap to enable local authorities to build more homes. This has provided an opportunity for the Council to increase its New Build Programme to deliver 300 homes by 2025/26 and the updated HRA Business Plan was approved by Cabinet in March 2019.
- 1.4 Following a further review of the Housing Revenue Account position it has recently been announced that a significant investment will be made into existing housing stock and that the new build programme will be increased to deliver a total of 1,200 homes over a 15 year period from 2020/21. The detail to support this is provided within the updated HRA Business Plan which was presented to Cabinet at its earlier meeting on 19 February 2020.
- 1.5 Cabinet approved the draft Housing Revenue Account Revenue and Capital Budget proposals for 2020/21 at its meeting on 22 January 2020. Since this meeting the following changes have been made to the revenue budget presented to Council for approval to reflect the most current known position:

Adjustment	£000's
Additional resources to support delivery of the updated new build programme	100
Reduction in rental income following final rent setting*	7
Increased East Kent Audit Partnership costs for 20/21 based on the updated plan	2
Total change to Draft Budget	109

*The reduction in rental income has not changed the average weekly rent increase which was approved by Cabinet at £2.22 per week.

2. HOUSING REVENUE ACCOUNT REVENUE ESTIMATES

2.1 Original Budget 2020/21

The proposed HRA Budget for 2020/21, at Appendix 1, shows a forecast deficit of £3.4m. This is in line with the agreed HRA Business Plan which will continue to fluctuate from year to year, depending on the profile of the stock, size of the new build programme and the resources available. The year-end

HRA revenue reserve balance as at 31 March 2021 is expected to be £7.1m as shown at Table 1 below.

Table 1	£000's
Original estimate of balance at 31 March 2020	(10,471)
Movement from Original to Original budgets	
Increase in rents and other service charges due to annual rent setting (see 2.1.2)	(123)
Increase in general management costs – EKH Funding (see 2.1.3)	774
Increase in revenue contribution to capital expenditure (see 2.1.4)	2,942
Other net movements	79
	3,672
Surplus 2019/20	(308)
Original estimate of balance at 31 March 2021	(7,107)

2.1.1 HRA Revenue budget

The HRA revenue budgets are reflected in the HRA business plan. The business plan sets out the Council's income and expenditure plans for its landlord service over a 30 year period, including the capital costs of maintaining the decent homes standard and of any additional improvements agreed with tenants.

2.1.2 Rents

The increase in dwelling rents is due to the application of the rent increase in line with the revised policy from 1st April 2020 of CPI + 1%. This revised policy was announced in February 2019 and replaces the Welfare Reform and Work Act 2016 which required social landlords to reduce rents by 1% each year for four years. See section 3 for more detail.

2.1.3 East Kent Housing (EKH) Funding

The proposed EKH management fee includes the continuation of the 2019/20 Improvement Plan. Funding was originally agreed for 18 months, meaning only 6 months funding would be included in the 2020/21 budget, but EKH have requested this be continued for the full year in 2020/21, with a total of £162,250 included within the budget. As detailed below:

○ Rent Collection (Universal Credit) Resource	£111,000
○ Organisation Health/Sustainability	£42,500
○ Improved Procurement	£8,750
Total	£162,250

EKH have also proposed several further increases to the management fee for additional resources to address compliance issues. These are shown below and have been included within the proposed HRA budget:

• Additional compliance posts (4.43 FTE)	£230,200
• Estates Services posts (1 FTE)	£42,750
• Organisation Health/Sustainability	£61,500
Total	£334,450

Therefore, the total budget for the management fee in 2020/21 is £2,480,260.

A further sum of £60,000 has been requested to carry out an annual stock condition survey on 20% of the stock to better inform the programme of works required. This is included within the proposed budget.

The current proposed budget is based on EKH continuing to provide the housing management service for the Council. The future delivery of the management of council housing has been reviewed following a consultation with council tenants and other key stakeholders on the potential options.

If the outcome of the consultation is to withdraw from EKH and return the provision of housing management services back in-house then a full financial appraisal will need to be undertaken. It is not possible to make a realistic financial assessment of the potential costs involved or impact on the HRA budget at this stage. The proposed budget does include a sum of £250,000 to support interim transition management costs of bringing the service back in-house, as agreed by Cabinet on 16 October 2019.

The consultation ended on 20 December 2019 and the outcome of the process will be reported to Cabinet and Council at its meeting on 19 February 2020.

The future of the service will inevitably contain a number of unknowns until the final result of the consultation and decision is made. Pending the outcome of that decision, the budget has been set on the parameters outlined in this report. Whilst the future of the service will evolve, at this stage of preparing the budget it is proposed that any new structure will be within the financial parameters of the current management fee (as set out above). As has been mentioned, if the decision is taken to bring the service back under the control of the council, then a sum of £250,000 has been set aside to cover any transition costs. This is an estimate and will be continually reviewed should that be the decision the council takes. It is worth noting that the new senior structure of the council has also created a Director of Housing and Operations post that will be responsible for the overall housing service, including the HRA, regardless of how it is delivered.

It is also worth noting that the current capital programme is based on the existing profile of spend which will be subject to review if control of the housing stock were to change. The sum of £60,000 for further stock condition surveys will support this process but will only help inform the future capital programme.

It has recently been announced that the council will invest £10m into existing housing stock as well as taking on additional borrowing to increase the new build/acquisition programme to deliver 1,200 homes over a 15 year period

from 2020/21. The detail to support these announcements will be provided within the updated HRA Business Plan which will be presented to Cabinet for decision at its meeting on 19 February.

2.1.4 Revenue Contribution to Capital

The amount of revenue contribution to capital will change from year to year depending on the profile of the new build/acquisition programme. This is reflected within the HRA Business Plan which was agreed by Cabinet on 13 March 2019.

The contribution to capital in 2020/21 has also increased following the recent announcement to make a significant investment into existing housing stock. £10m will be invested over a three year period up to 2022/23 and for the purposes of budgeting it has been assumed that expenditure will be incurred evenly over the three years, with £3.5m included within the capital budget for 2020/21.

2.2 HRA Reserve Balances

HRA Reserve – The HRA reserve consists of revenue balances that can be used for revenue or capital expenditure in line with the HRA Business Plan. The actual reserve balance on the HRA at the start of 2019/20 was £10.2m, this has increased due to the planned accumulation of balances to help fund the future new build programme.

Table 2 below shows the estimated HRA balances to 31 March 2021.

<i>Table 2</i>	2019/20	2020/21
	£000's	£000's
Balance as at 1 April	10,163	10,471
Balance as at 31 March	10,471	7,107

The HRA reserve is expected to decrease by £3.4m from the close of 2019/20 and the end of the financial year 2020/21.

The changes with the introduction of Self-Financing have significantly increased the flexibility for the Council to manage the resources and debts within the HRA to best meet the needs of existing and future tenants. The estimated HRA balances, set out in table 2, are above the revised recommended minimum balance, which is £2m.

Major Repair Reserve (MRR) – This reserve is derived from the transfer of the depreciation charge from the revenue account and can be used to fund major repairs for capital expenditure or debt repayment. The Council's Business Plan requires that the reserve is allocated to fund capital expenditure. The proposed HRA capital programme should leave the Major Repairs Reserve with a nil balance. This is in line with the practice adopted by the Council in previous years, of using the Major Repairs Reserve in the year it is received.

3. RENT SETTING GUIDANCE & RENTS

3.1 Rent Policy – National context

In October 2017, the Government announced its intention to set a long term rent deal for both local authority landlords and housing associations. This would permit annual rent increases on both social rent and affordable rent properties of up to CPI plus 1% from 2020 for a period of at least five years.

The new policy recognises the need for a stable financial environment to support the delivery of new homes. The government is now looking to the social housing sector to make the best possible use of its resources to help provide the homes that the country needs.

The new policy will come into effect from 1 April 2020. It will not override landlords' statutory obligation to complete the four year social rent reduction as required by the Welfare Reform and Work Act 2016.

3.2 Rent Increase – Local context

In line with last years approved report, Housing Services will be charging the 'formula rent'¹ when a property is re-let to a new tenant and service charges that fall under utilities will be charged at the 'actual' cost on new lets.

The proposed increase of CPI plus 1% which is 2.7%, in line with Government guidelines, equates to an increase of £2.22 per week or £115.44 per annum. This gives an average rent of £87.81 (over 50 weeks) in 2020/21 (average rent in 2019/20 is £85.43 (over 51 weeks)).

3.3 New Build rents

In line with proposals set out in the Council's current HRA Business Plan, the rents for any new homes will be set at affordable rent levels. Affordable rents are defined as being a maximum of 80% of the prevailing average market rent for the area and should be no more than the prevailing local housing allowance (LHA) rates for the area to ensure that properties remain affordable.

The local housing allowances rates for 2020/21 will not be available until early February 2020. LHA rates have been frozen since 2016, however the Government announced in January 2020 that the freeze has been lifted, meaning that rates will rise by inflation from April 2020. The indicative 2020/21 affordable rents for the Folkestone & Hythe area are as follows:

Bedsits	£60.28 per week
1 bedroom houses	£88.03 per week
2 bedroom houses	£117.38 per week
3 bedroom houses	£146.72 per week
4 bedroom houses	£171.38 per week

¹ The 'formula rent' is the amount an individual rent can be set at before taking into account the rent restructuring restrictions and maximises the rental income received without penalising any individual.

3.4 Rent Comparisons

The table below compares Folkestone & Hythe's average weekly rent to that of other authorities in Kent.

<i>Table 3</i>	Average weekly rent over 52 weeks (2020/21)	Difference between FHDC and other authorities
	£	£
Folkestone & Hythe	84.43	-
Dover	85.52	1.09
Canterbury	91.34	6.91
Thanet	81.67	(2.76)

- Subject to Dover, Canterbury and Thanet's approval at their own Council meetings.

3.5 Service Charges

3.5.1 General Service Charges

The general principle for service charges for tenants is that they are set to recover the costs of the service they fund. However, the government also limits increases in service charges to the Consumer Price Index (CPI) plus 1.0% per annum as part of rent setting guidance. The CPI for September 2019 was 1.7%, CPI plus 1.0% is therefore 2.7%. As a result general service charges within the HRA will increase by 2.7% with effect from 1 April 2020.

Local authorities can increase charges above this level where costs are increased that are beyond the authorities' control. Utility charges, such as heating and hot water in sheltered housing schemes are an example where this applies. Proposals for these charges for 2020/21 are set out in 3.5.2 below.

3.5.2 Heating charges in Sheltered Housing

Residents in 12 of the Council's sheltered housing schemes have heating and hot water provided to their flats by communal systems. Charges are made for this service based on the floor area of each flat.

As set out within last years report, over time fuel costs have increased significantly above the rate of inflation, so that the charges raised for this service no longer cover the costs. Therefore, the proposed charges for this service towards the actual cost of providing the service are in line with those agreed last year. This continued move to full cost recovery would result in some tenants facing significant increases and it is therefore proposed to set charges that provide some interim protection against the highest increases.

Following the same approach as previous years it is recommended that the 2020/21 service charges for heating and hot water in sheltered housing

schemes should be set at actual cost or 10% increase, subject to the following limits:

- Bedsit flats £21.06 per week (£1,053 per year)
- 1 bed flats £23.48 per week (£1,174 per year)
- 2 bed flats £25.78 per week (£1,289 per year)

Overview & Scrutiny Committee have asked that Officers explore alternative options over the coming year for a more affordable solution for heating charges in sheltered housing to be available for tenants. Members have noted the need for the a full cost recovery approach to be taken.

4. HOUSING REVENUE ACCOUNT CAPITAL ESTIMATES

4.1 Original Budget 2020/21

The proposed HRA Capital Budget for 2020/21, shown in Appendix 2, is £13.5m. Table 4 below shows the movements in the programme from the 2019/20 original budget to the original budget for 2020/21.

<i>Table 4</i>	£000's
Original estimate 2019/20	9,028
Reductions in programme	
External Enveloping (see 4.1.1)	(457)
Increases in programme	
New Build programme (see 4.1.2)	1,070
Enhanced Capital Programme (see 4.1.3)	3,500
Heating Improvements (see 4.1.4)	131
Disabled Adaptations (see 4.1.5)	100
Other minor variances	133
Total increase in expenditure	4,477
Original estimate 2020/21	13,505

4.1.1 External Enveloping

The decrease in external enveloping is due to a low demand in 2019/20 and the need to survey properties to collate a programme of works. It is anticipated that the level of works required will be lower than previously budgeted.

4.1.2 New Build programme

The budget required for the new build programme will vary from year-to-year depending on the profile of the programme. This is reflected within the HRA Business Plan which was agreed by Cabinet on 13 March 2019 and stated that 300 new homes would be delivered over a 10 year period.

Table 5 below shows the approved profile of the new build/acquisitions programme over a 10 year period and the actual progress to date.

<i>Table 5</i>	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
New builds/acquisitions	-	Year 1	Year 2	Year 3	Year 4	Year 5
Target	-	30	30	32	8	60
Delivered / Forecast	16	10	38	28	8	65

	2021/22	2022/23	2023/24	2024/25	2025/26	TOTAL
New builds/acquisitions	Year 6	Year 7	Year 8	Year 9	Year 10	
Target	12	55	40	20	13	300
Forecast	26	55	40	14	0	300

This shows that the new build programme is on target with 100 units having been delivered to date against a target of 100 and a further 200 units are forecast to be delivered by 2025/26.

All of the new build options will be subject to a detailed viability appraisal to ensure they meet the requirements of the HRA Business Plan.

4.1.3 Enhanced Capital Programme

Following a consultation with tenants around the future of East Kent Housing, it is likely that the housing management service will be brought back in-house. It may be necessary to make a significant investment in the existing housing stock to bring it back up to a reasonable state of repair.

It has recently been announced that £10m will be invested into an enhanced capital programme over a three year period up to 2022/23. For the purposes of budgeting it has been assumed that expenditure will be incurred evenly over the three years, with £3.5m included within the capital budget for 2020/21. Expenditure will be monitored and budgets re-profiled as the detail of required works becomes known.

4.1.4 Heating Improvements

A new Gas Servicing and Heating Installations contract has been awarded for 2020/21 as agreed by Cabinet on 31 July 2019. The increased budget reflects the fixed cost of the annual servicing element of the contract and an estimate of variable costs for additional maintenance required.

4.1.5 Disabled Adaptations

The increase in disabled adaptations is a result of changes in policy which has led to an increase in occupational therapy referrals and adaptation works required.

4.1.6 The HRA capital programme budgets are reflected in the HRA Business Plan, including the capital costs of maintaining the decent homes standard and of any additional improvements agreed with tenants.

4.2 HRA Reserve Balances

HRA Reserve – The HRA reserve consists of revenue balances that can be used for revenue or capital expenditure in line with the HRA Business Plan.

The following table shows the required resources to finance the original budget for 2019/20 and original budget for 2020/21 for the HRA capital programme.

<i>Table 6</i>	Major Repairs Reserve	Use of RTB Capital Receipts	Revenue Contribution	Total
	£000's	£000's	£000's	£000's
Original budget 2019/20	3,532	1,634	3,862	9,028
Original budget 2020/21	5,275	1,425	6,805	13,505

5. RISK MANAGEMENT ISSUES

5.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
East Kent Housing management fee variation	Medium	Low	Officers are ensuring that the rules laid out in the management agreement are followed.
Budget not achieved	High	Low-Medium	Stringent budget monitoring during 2020/21 enabling early corrective action

6. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

6.1 Legal Comments (NE)

There are no legal implications arising directly out of this report other than as already stated therein. (Following the coming into force of Schedule 15 of the Localism Act 2011, English local authorities are required to be self-financing in relation to their housing stock, financing their housing stock from their own rents.)

6.2 Finance Comments (LW)

All financial effects are included in this report.

6.3 Diversities and Equalities Implications

This report is in line with the Council's Diversity and Equality policies

7. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting.

This report has been prepared by:

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The following background documents have been relied upon in the preparation of this report:

None

Appendices:

Appendix 1 - HRA Revenue Budgets

Appendix 2 - HRA Capital Programme

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HOUSING SERVICES
ANNUAL ESTIMATES 2020/21

Actual 2018/19 £	HOUSING REVENUE ACCOUNT	Original 2019/20 £	Estimate 2020/21 £
	<u>INCOME</u>		
14,669,358	Dwelling rents	14,843,000	14,954,138
279,179	Non-dwelling rents	355,020	342,380
895,450	Other charges for services and facilities	985,430	1,009,840
52,200	Contributions from general fund	52,200	52,200
15,896,187	TOTAL INCOME	16,235,650	16,358,558
	<u>EXPENDITURE</u>		
2,963,126	Repairs and maintenance	3,548,480	3,786,920
3,012,538	General management *	3,307,630	4,081,900
1,284,640	Special management *	1,054,940	1,036,280
36,331	Rents, rates & taxes	21,750	21,750
100,868	Increase provision for bad or doubtful debts	90,000	150,000
	<u>Capital Financing Costs</u>		
5,088,503	Depreciation charges	2,526,850	2,564,670
3,286,020	Exceptional Item Impairment	0	0
21,500	Debt management expenses	21,920	0
15,793,526	TOTAL EXPENDITURE	10,571,570	11,641,520
-102,661	NET COST OF SERVICES	-5,664,080	-4,717,038
-1,120,015	(Gains)/loss on sale of HRA fixed assets	0	0
1,596,808	Loan charges - Interest	1,569,000	1,546,680
	<u>Investment Income</u>		
-88,535	Interest on notional cash balances	-75,000	-75,000
101,000	Pensions Interest Cost and Expected Return on Assets	0	0
0	Premiums & discounts	0	0
386,596	NET OPERATING INCOME	-4,170,080	-3,245,358
-5,810,259	Any other item of income & expenditure	0	0
-12,648	Amounts charged to income & exp For premiums & discounts	0	0
1,120,015	Gain/(Loss) on Sale of HRA fixed assets	0	0
2,330,310	Revenue Contribution to Capital Expenditure	3,861,833	6,804,817
-130,000	Pensions Interest costs	0	-195,000
-2,115,986	TOTAL DEFICIT/SURPLUS(-) FOR YEAR	-308,247	3,364,459
8,047,323	Balance as at 1st April	10,163,309	10,471,556
10,163,309	Balance as at 31st March	10,471,556	7,107,097

* General Management - relates to costs for the whole of the housing stock or all tenants such as EKH Management Fee and support costs.

* Special Management - relates to only some of the tenants such as cleaning communal areas of flats and maintenance of open spaces.

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HOUSING SERVICES

ANNUAL ESTIMATES 2020/21

Actual 2018/19 £	<u>HRA CAPITAL PROGRAMME</u>	Original 2019/20 £	Estimate 2020/21 £
	<u>EXPENDITURE</u>		
	<u>Decent Homes Standard</u>		
703,140	Doors	230,100	250,000
1,216	Re-roofing	387,100	350,000
84,192	Heating Improvements	518,450	649,330
194,710	Kitchen Replacement	403,000	411,000
177,024	Bathroom Improvements	170,000	173,500
227,400	Voids Capital Works	250,000	300,000
41,334	External Enveloping	557,500	100,000
196,262	Fire Protection Works	20,000	50,000
15,284	Thermal Insulations	10,000	10,000
0	Contract Specification	61,000	30,500
0	Enhanced Capital Programme	0	3,500,000
1,640,562	Sub-Total	2,607,150	5,824,330
	<u>Non Decent Homes Standard</u>		
0	Treatment Works	10,000	10,000
311,862	Disabled Adaptations	350,000	450,000
18,677	Rewiring	405,000	485,000
38,465	Sheltered Scheme upgrades	80,000	80,000
31,945	Garages Improvements	30,000	30,000
24,805	Lift Replacements	50,000	60,000
425,754	Sub-Total	925,000	1,115,000
	<u>New Build Programme</u>		
3,174,541	New Builds	5,445,476	6,515,270
3,174,541	Sub-Total	5,445,476	6,515,270
	<u>Environment/Estate Improvement</u>		
15,630	Environmental Works	25,000	25,000
0	New Paths	15,000	15,000
0	Play Areas	10,000	10,000
15,630	Sub-Total	50,000	50,000
5,256,487	TOTAL IMPROVEMENTS TO HRA STOCK	9,027,626	13,504,600
	<u>OTHER SCHEMES</u>		
92,500	EKH Single System	0	0
5,348,987	TOTAL EXPENDITURE	9,027,626	13,504,600
	<u>FINANCING</u>		
2,066,316	Major Repairs Reserve	3,532,150	5,274,800
952,362	Capital Receipts	1,633,643	1,424,983
2,330,309	Revenue Contribution	3,861,833	6,804,817
5,348,987	TOTAL FINANCING	9,027,626	13,504,600
0	SHORTFALL IN FINANCING	0	0

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This Report will be made
public on 11 February 2020

Report Number: **A/19/28**

To: Council
Date: 19 February 2020
Status: Key Decision
Corporate Director: Tim Madden, Director of Transformation and Transition

SUBJECT: Housing management options appraisal – outcome of formal consultation

SUMMARY:

An options appraisal was completed in October 2019, reviewing the delivery of housing management services provided by East Kent Housing (EKH) on behalf of Canterbury City Council, Dover District Council, Folkestone and Hythe District Council and Thanet District Council. The four councils agreed that the preferred option for future service provision to the four councils' tenants and leaseholders is that it should become an in-house service, subject to consultation. The attached Cabinet report sets out the outcomes from the formal consultation exercise undertaken with EKH tenants and leaseholders. It proposes that officers from across the four councils be instructed to negotiate ending the agreement with EKH and to make preparations for the housing management service to be brought in-house.

REASONS FOR RECOMMENDATION:

Council is asked to agree the recommendations set out below because:-

- EKH has experienced serious performance problems and health and safety non-compliance issues.
- Tenants and leaseholders have expressed their views clearly, that they would prefer their homes to be managed by the individual councils rather than retain the existing Arms-Length Management Organisation structure.
- It is in the best interests of tenants and leaseholders for the four councils to terminate the management agreement and transfer housing services back in-house.
- The integration of the housing management service with each council's remaining housing services would provide a more transparent and accountable structure for the housing service.

RECOMMENDATIONS:

Council is asked:

1. To receive and consider the Report A/19/28.
2. To make comments and proposals to Cabinet prior to Cabinet making the final decision.

1. Background

- 1.1 At its meeting of 19 February 2020 the Cabinet considered the report reference C/19/68 "Housing management options appraisal – outcome of formal consultation". This report is attached in full as Appendix A to this Council report.
- 1.2 The decision as to whether to take the proposed action is within the authority of Cabinet. However as this is a significant decision, the Cabinet has referred the report onto Council for its views. Its intention is then to have regard to these views prior to making a final decision.
- 1.3 The attached report sets out the background and the responses to the consultation. Council is asked to comment on this and to make any proposals should it so wish to Cabinet.

2. RISK MANAGEMENT ISSUES

- 2.1 These are incorporated within the Cabinet report.

3. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

3.1 Legal Officer's Comments (NE)

These are incorporated within the Cabinet report.

3.2 Finance Officer's Comments (TM)

These are incorporated within the Cabinet report.

3.3 Diversity and Equalities Implications (TM)

These are incorporated within the Cabinet report.

4. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting

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Tel: 01303 853371

Adrian Hammond
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The following background documents have been relied upon in the preparation of this report:

No background documents have been used other than those identified within the Cabinet report.

Appendices:

Appendix A – Cabinet report: Housing management options appraisal – outcome of formal consultation

This Report will be made public on 11 February 2020



Report Number **C/19/68**

To: Cabinet
Date: 19 February 2020
Status: Key decision
Responsible Officer: Tim Madden, Director of Transition and Transformation
Cabinet Member: Councillor David Godfrey, Cabinet Member for Housing, Transport and Special Projects

SUBJECT: Housing management options appraisal – outcome of formal consultation

SUMMARY:

An options appraisal was completed in October 2019, reviewing the delivery of housing management services provided by East Kent Housing (EKH) on behalf of Canterbury City Council, Dover District Council, Folkestone and Hythe District Council and Thanet District Council. The four councils agreed that the preferred option for future service provision to the four councils' tenants and leaseholders is that it should become an in-house service, subject to consultation. This report sets out the outcomes from the formal consultation exercise undertaken with EKH tenants and leaseholders. It proposes that officers from across the four councils be instructed to negotiate ending the agreement with EKH and to make preparations for the housing management service to be brought in-house.

REASONS FOR RECOMMENDATIONS:

- EKH has experienced serious performance problems and health and safety non-compliance issues.
- Tenants and leaseholders have expressed their views clearly, that they would prefer their homes to be managed by the individual councils rather than retain the existing Arms-Length Management Organisation structure.
- It is in the best interests of tenants and leaseholders for the four councils to terminate the management agreement and transfer housing services back in-house.
- The integration of the housing management service with each council's remaining housing services would provide a more transparent and accountable structure for the housing service.

RECOMMENDATIONS:

1. To receive and note report C/19/68 and to present this report to Council for its consideration and comments.
2. That having noted the results of the tenant and leaseholder consultation, the cost/benefit analysis and the risk analysis, it is agreed that the management of the council's housing stock be brought back in-house.
3. That the Director of Transformation and Transition, in consultation with the Portfolio Holder for Housing, Transport and Special Projects be authorised to negotiate and conclude a termination of the management agreement with EKH as soon as practicable.
4. That the Director of Transformation and Transition, in consultation with the Portfolio Holder for Housing, Transport and Special Projects be authorised to take such decisions as may be necessary to facilitate the process of bringing the housing service in-house in discussion with the appropriate statutory officers..

1. BACKGROUND

- 1.1 The four councils of Canterbury City Council, Dover District Council, Folkestone and Hythe District Council and Thanet District Council are neighbouring district councils located in East Kent.
- 1.2 On 1 April 2011, the councils established EKH under section 27 of the Housing Act 1985, delegating the management of its housing stock of approximately 17,000 homes. EKH is an Arms-Length Management Organisation (ALMO), jointly owned, in equal share, by the four councils. EKH was managed by an independent board up until 12 December 2019, when it was replaced by a new board consisting of the chief executives of the four councils.
- 1.3 In early 2019, the four client councils raised concerns about a number of key areas of the services provided by EKH in relation to asset management, procurement and delivery of the capital programme, which were further exacerbated by serious health and safety compliance by EKH in relation to the internal control of health and safety, including fire safety, electrical safety, lift safety and legionella and limited assurance for gas safety.
- 1.4 The four councils agreed to self-refer to the Regulator for Social Housing (RSH), confirming that the councils, through EKH, had failed to meet statutory health and safety requirements across a range of areas. In September 2019, the RSH's investigation concluded that the four councils (under their statutory landlord responsibilities) were non-compliant, resulting in a Regulatory Notice being issued. The notice remains 'live' for 12 months or until full compliance is achieved. The council is currently in the final stages of agreeing a voluntary undertaking to give a clear plan of action for monitoring improvements. At this stage, it is expected that the council will work closely with the regulator over the next 12 to 18 months.
- 1.5 As a result of the above, the four councils have continued to present reports to their various governance groups explaining why they have concerns about the way in which EKH has been managing council owned homes.
- 1.6 In June 2019, the four councils endorsed a review of the potential future options for the management of the housing stock. On 16 October 2019, FHDC's Cabinet (report reference C/19/29) approved the report on future options for the future housing management arrangements for the district. The following recommendations were agreed:
 - To approve the recommendation that the council's preferred option is to withdraw from EKH and return housing management services back in-house under direct management of the council, subject to formal consultation with all tenants and leaseholders to satisfy the requirements of Section 105 of the Housing Act 1985.
 - To approve that council makes available up to £250,000 from the HRA in 2019/20 and 2020/21 (split to be determined) to support interim transition management costs, subject to option 2 being supported.

- To approve for any minor amendments to the options and consultation documents to be delegated to the Head of Paid Service in consultation with the Cabinet Member for Housing, Transport and Special Projects.
 - To approve for the consultation results to be presented to Overview and Scrutiny Committee and Cabinet for consideration in early 2020.
- 1.7 Pennington Choices housing consultancy service was appointed by the four councils to investigate the circumstances leading to the compliance failures, the main underlying causes, the effectiveness of the recovery action plans put in place and to make recommendations to ensure that the identified compliance failures do not happen again. The final report was presented to members on 20 December 2019 (report reference C/19/54), with each council endorsing the production of an 'action plan' to implement the recommendations outlined in Pennington's report. The action plan, which is being compiled by Pennington Choices, will seek to bring improvements in the operation and performance of EKH, such that the RSH is in a position to remove the Regulatory Notices served on the four councils.
- 1.8 On 23 December 2019, EKH's Chief Executive stepped down from the role in light of the changes to the Board and the four councils' consultation with tenants and leaseholders. Interim measures have been put in place by the four councils, with an EKH Chief Executive appointed as a temporary time-limited resource as the councils conclude the important detailed work on compliance recovery, whilst still delivering housing management services.

2. TENANT AND LEASEHOLDER CONSULTATION

- 2.1 All four councils provided their formal endorsement of the preferred option to withdrawal from EKH and return housing management services back in-house under direct management of each council, subject to consultation with all EKH tenants and leaseholders to satisfy the requirements of Section 105 of the Housing Act 1985.
- 2.2 The consultation exercise was administered by Canterbury City Council, running for 8 weeks from Tuesday 22 October to Friday 20 December 2019 and sought a test of opinion rather than a formal ballot in order to achieve consistency with the process used prior to the formation of EKH.
- 2.3 A programme of consultation was implemented across the four councils. All EKH tenants and leaseholders were written to by letter on 22 October 2019, informing them of the consultation survey and provided with a Frequently Asked Questions information sheet. Tenants and leaseholders were given the option to complete the consultation survey online or by post (using a pre-paid envelope).
- 2.4 Consultation drop-in sessions were organised and hosted in Canterbury, Dover, Folkestone & Hythe and Thanet between October to December 2019. The sessions were staffed and attended by council members and officers. All EKH tenants and leaseholders, including sheltered schemes, were invited and attendance was as follows:

Local authority	No. of attendees (tenants and leaseholders)
Canterbury City Council	167
Dover District Council	77
Folkestone & Hythe District Council	50
Thanet District Council	11

- 2.5 The Corporate Consultation Manager at Canterbury City Council dealt with 45 tenant and leaseholder enquiries across the four council areas during the consultation, providing help and support, for example if someone needed information in a different format or additional information regarding the consultation. Other enquiries included tenancy, leaseholder, performance and repairs issues.
- 2.6 The Council's Cabinet Member for Housing, Transport and Special Projects attended all of the Council's drop in sessions during the consultation period to hear the views of residents on the Council's Housing Services delivered by EKH and their aspirations for the service going forward. He also attended the Shepway Tenants and Leaseholders Board Meeting in December of last year and confirmed the Council's commitment to building on the tenant and leaseholder involvement processes put in place by EKH with residents. In addition, he has been involved in detailed casework and has gained a familiarity and knowledge of some of the issues facing tenants. He has also set out a commitment that should the housing service return in-house, residents will continue to be at the heart of the service, working with the Council to shape the service now and in the future.

3. RESULT OF THE TEST OF OPINION

- 3.1 The purpose of the consultation was to gauge opinions and gather feedback from tenants and leaseholders, evaluate their attitudes towards the proposal and identify any concerns they might have. This is usually referred to as a test of opinion.
- 3.2 The test of opinion consultation closed on 20 December 2019. Tenants and leaseholders were asked to provide their level of agreement with the proposal to bring the service back in house. The consultation document is attached as Appendix 4.
- 3.3 At the close of the consultation, across the four districts, 17,201 questionnaires were issued and 2,603 completed and returned. 332 of these were submitted online and 2,271 were paper copies.
- 3.4 Canterbury City Council
In total, 5,510 consultation surveys were issued. Of these, 843 were returned (15%). In terms of who has responded:
- 821 tenants and leaseholders
 - 4 other individuals
 - 18 respondents did not say in what capacity they were responding

3.5 Dover District Council

In total, 4,694 consultation surveys were issued. Of these, 731 were returned (16%). In terms of who has responded:

- 707 tenants and leaseholders
- 13 other individuals
- 11 respondents did not say in what capacity they were responding

3.6 Folkestone & Hythe District Council

In total, 3,575 consultation surveys were issued. Of these, 602 were returned (17%). In terms of who has responded:

- 588 tenants and leaseholders
- 4 other individuals
- 1 Shepway Tenants and Leaseholder Board
- 1 Age UK Hythe and Lyminge
- 1 shared ownership resident
- 7 respondents did not say in what capacity they were responding

3.7 Thanet District Council

In total, 3,422 consultation surveys were issued. Of these, 427 were returned (12%). In terms of who has responded:

- 403 tenants and leaseholders
- 17 other individuals
- 1 Addington Street Community Group
- 1 Newington Community Association
- 1 shared ownership resident
- 1 former tenant
- 3 respondents did not say in what capacity they were responding

3.8 Across the four councils, the majority of respondents strongly agree or tend to agree with the proposal to bring the housing service back in house. In Canterbury, 81% of respondents agree to some extent to the proposal, Dover 81%, Folkestone & Hythe 74% and Thanet 81%.

3.9 Canterbury City Council

	All respondents	Tenants and leaseholders
Strongly agree	60% (492)	60% (487)
Tend to agree	21% (171)	21% (167)
Neither agree nor disagree	12% (96)	11% (92)
Tend to disagree	4% (30)	4% (30)
Strongly disagree	4% (37)	4% (37)

3.10 Dover District Council

	All respondents	Tenants and leaseholders
Strongly agree	62% (445)	62% (433)
Tend to agree	19% (138)	19% (135)
Neither agree nor disagree	12% (84)	12% (82)
Tend to disagree	3% (20)	3% (20)
Strongly disagree	5% (36)	5% (33)

3.11 Folkestone & Hythe District Council

	All respondents	Tenants and leaseholders
Strongly agree	54% (323)	54% (316)
Tend to agree	20% (120)	20% (119)
Neither agree nor disagree	13% (76)	13% (75)
Tend to disagree	4% (21)	4% (21)
Strongly disagree	9% (53)	9% (51)

3.12 Thanet District Council

	All respondents	Tenants and leaseholders
Strongly agree	60% (257)	60% (243)
Tend to agree	21% (91)	22% (88)
Neither agree nor disagree	9% (37)	9% (35)
Tend to disagree	3% (12)	3% (11)
Strongly disagree	7% (28)	6% (25)

- 3.13 The full consultation report for Folkestone and Hythe is attached as Appendix 5. The detailed responses for other councils can, if required, be referred to at:

<https://www.folkestone-hythe.gov.uk/your-council/democracy/appendices>

However, a snapshot of comments made by respondents who strongly agree or tend to agree with the proposal is below:

- Lack of action by East Kent Housing to deal with repair and maintenance issues
- The council would be more responsive in dealing with issues
- The council would be more accountable than East Kent Housing
- The service provided by East Kent Housing has deteriorated in the last few years
- Lack of communication from East Kent Housing
- The council would be more accountable than East Kent Housing
- The council ran the service well before East Kent Housing was created
- Unhappy with the general standard of service provided by East Kent Housing

- Bringing the service back under council control would be more cost effective
- The council could build stronger relationships with its tenants

3.14 What the council should focus on for housing services

Respondents across the four council areas were asked what they feel are the three most important things for the council to focus on for housing services from the following list:

- Dealing with repairs and maintenance including monitoring outcomes
- Dealing with anti-social behaviour
- Providing value for money for your rent and service charges
- Building new council homes
- Estate services (such as grass cutting, cleaning communal areas etc)
- Dealing with customer enquiries and complaints
- Involving and listening to residents

Other:

- Maintain reasonable rent charges
- Improve efficiency
- Improve consultation with residents
- Improve dialogue with disabled residents
- Dealing with communal repairs

At the close of the consultation, respondents highlighted the three most important areas of focus for Canterbury, Dover and Thanet as (in order of priority):

1. Dealing with repairs and maintenance
2. Dealing with anti-social behaviour
3. Providing value for money for your rent and service charges

In Folkestone & Hythe, respondents highlighted the three most important areas of focus as (in order of priority):

1. Dealing with repairs and maintenance including monitoring outcomes
2. Dealing with anti-social behaviour
3. Dealing with customer enquiries and complaints

- 3.15 Should members make the decision to return the service in house, then these comments will provide a clear focus for improvements to the service. Where possible, immediate actions will be taken to address issues, however this will be along side both medium and longer term plans to improve the services to tenants and stakeholders.

3.16 Government guidance on ALMO consultation

Government issued guidance in 2011 to Local Authorities (see Appendix 1) considering the future of their ALMO housing management services. Councils are

asked to undertake a cost-benefit and risk analysis exercises before reaching a final decision. These exercises have been completed and the results are given in appendices 2 (cost/benefit analysis) and 3 (risk analysis). Cabinet is invited to consider the two documents before reaching decision on the report's recommendations.

4. PROPOSED IMPLEMENTATION PROCESS

- 4.1 At present, the Secretary of State is not required to consent to the transfer of landlord functions from the EKH ALMO to the council.
- 4.2 The four councils as joint owners of EKH, in accordance with the terms of engagement, will need to achieve a mutually agreed termination. Once the process has been concluded, it is proposed that an in-house service be established. The primary aim will be to ensure the service is safe and stable and to effect immediate improvements where possible. During the period of transition, it may be that there is a phased transfer of services back to the council depending on the appropriateness of the proposals. During this period the councils will be drawing up proposals for the future housing service, which will cover new governance arrangements, organisational structures, integration with existing council services (e.g. call handling, property and grounds maintenance, community safety, communications) and the priorities and plans of the new service.
- 4.3 Officers from the four councils will establish a Transition Board to co-ordinate the overall project. It is likely that officers within each council will also need to establish a corporate project management group to oversee the various work streams necessary to wind up EKH and to create a new in-house service.
- 4.4 A communications strategy will be of critical importance. The corporate project management group in each council will have responsibility for overseeing the communications necessary with tenants, leaseholders, staff, elected members and other stakeholders. There are many tenants and leaseholders who have expressed their views strongly at many of the consultation meetings, and it will be important to address the concerns that they raised at those meetings.
- 4.5 The Head of Paid service has been in contact with the Chair of the Shepway Tenants and Leaseholders group and has committed to regular meetings to discuss the future delivery of the Council's Housing Services. The Portfolio holder and officers will also continue to attend quarterly Shepway Tenants and Leaseholders Board meeting. The four East Kent Chief Executives have also agreed to engage with the local Tenant and Leaseholder Group when they meet as the EKH Board. Going forward it is essential that the Council also involves wider tenants in shaping its future housing service. Resident involvement is a key requirement of the standards set by the Social Housing Regulator. Details of this requirement are set out in the Tenant Involvement and Empowerment Standard 2017. The EKH board has also met with staff and trades unions and this engagement is planned to continue during the process.

5. ISSUES NEEDING FURTHER DECISION

5.1 The transition process set out above will give rise to the need for decisions on a number of key issues:

- The name or branding to be used for the new in-house service (if required).
- The transfer / recruitment of staff
- Arrangements for leadership and management of housing (both strategic and housing management) through the transition and beyond.
- Decisions on the potential for the integration of EKH and council services which are currently provided separately.
- The establishment of a new Tenant and Leaseholder Panel as quickly as possible to sustain resident involvement in key housing management decisions.
- Decisions about the winding up of East Kent Housing as a separate company once the contract transfer has occurred (as required)
- Decisions about the novation of any contracts currently held by EKH to the council, such as ICT contracts.

5.2 These issues are discussed further in Appendix 2, the Cost/Benefit analysis.

5.3 These decisions will either be taken by officers in consultation with the Portfolio Holder or reported to Cabinet for decision as appropriate.

6. CONCLUSION

6.1 At the close of the tenant and leaseholder consultation, across the four districts 17,201 questionnaires were issued and 2,603 completed and returned. 332 of these were submitted online and 2,271 were paper copies. 2,037 (78%) respondents strongly or tend to agree with the proposal to bring the service back in house.

6.2 The level of responses to the consultation was very good and the considerably greater support amongst tenants and leaseholders for the preferred option to bring the service in-house is considered to be significant and decisive. However, independently of the consultation, joint work has already begun to improve the service, plan for a more fundamental transformation of the service and a smooth period of transition if the four councils decide to formally adopt the preferred option in February 2020.

6.3 The EKH Board, consisting of the four council chief executives, retains accountability for the service, but additional measures have been put in place to advance joint working to improve the service now, and to plan for the future. It also ensures that there is a collaborative and inclusive approach and that we communicate a single message to tenants, leaseholder, EKH employees and council officers and members.

6.4 Bringing the service in-house provides each of the four councils with the opportunity to re-position the housing service with the aim of improving a broad range of outcomes for over 17,000 households. This is not necessarily the lift and shift of a self-contained housing service into each council's structure. This option

provides the opportunity to engage the housing service with each councils' wider corporate agenda in order to secure improved outcomes for residents.

- 6.5 The four councils will each be able to redesign the corporate approach and consider afresh the opportunities that arise from having the housing management unit under direct council control. There is desire to progress an overarching plan for returning EKH in-house, which is being developed by council officers.
- 6.6 FHDC has appointed a Director of Transformation and Transition, who will oversee and plan for a smooth period of transition and a more fundamental transformation of the service, if the Cabinet decides to formally adopt its preferred option when it meets on 19 February 2020.
- 6.7 2020 would then be a transition year for EKH and the four councils. Establishing an in-house service, if agreed, is complex and will take time to set up, with an assumption that this would need to be completed and the new in-house service fully operational by 1 April 2021.

7. RISK MANAGEMENT ISSUES

Please refer to risk analysis, see Appendix 3.

8. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

- 8.1 **Legal (NE)** – As required by the guidance issued in December 2011 by MHCLG, a risk analysis has been prepared. This document sets out the risks and their implications in detail and is given as Appendix 2. There will be the need to transfer supply and service contracts and other assets held by EKH as part of the process. While the Council will take the benefit of those agreements, it will also have the burden of them.
- 8.2 **Finance (CI)** – If the decision is taken to bring the service in house, then it is expected there will be transition costs over and above the existing management fee. EKH have requested an additional one off costs assessed at £900,000 (across all 4 councils) in 2020/21 to cover these. This has not been agreed at this stage however FHDC has set aside £250,000 for 2020/21 in order to meet any transition costs.

This sum is in addition to the EKH management fee of £2,480,260 for 2020/21 which includes items previously agreed by Cabinet to support the EKH improvement plan. As the proposals for the future service are developed, a close monitoring of costs will be undertaken and as the structures are developed and work programmes are defined, there will be a greater clarity as to the likely cost of the future service. As the detail develops, there will be appropriate reporting as to the estimated future cost of the service in order to ensure this achieves the objectives of the council.

As required by guidance issued in December 2011 by the Government, a cost/benefit analysis has been prepared and is given as Appendix 2.

As EKH approaches dissolution, the EKH and the four councils will want to ensure that EKH maintains adequate cash flow and cannot at any point trade whilst insolvent. The councils will want to ensure that steps are taken as is necessary to provide funding to EKH during this period. In order to respond quickly to such a scenario, it is necessary to monitor the position and for the S151 officer to allocate such funds as necessary and to agree with the other councils the apportionment of costs.

The HRA budget is used for the management and maintenance of the HRA stock and for the repayment of the HRA debt. The HRA is a ring-fenced account.

- 8.3 **Human Resources (CG/PR)** - A decision to bring the ALMO back in house may result in a TUPE transfer of staff from EKH to FHDC. This will be the case where, at the point of transfer, there is an organised grouping of staff whose main purpose is the provision of the housing service to FHDC residents. The main effect of TUPE is that staff employed or assigned to work in the areas of the relevant business transfer functions and services (e.g. all those employed or engaged at the point of transfer by EKH) will be covered under the Regulations. The TUPE regulations effectively provides that staff affected by relevant business transfers have their terms and conditions protected from change following the transfer.

In light of the above, the implications of TUPE for bringing EKH back in-house may be summarised in the following terms:

- All staff employed by EKH at the point of transfer may have a right to transfer under TUPE to the four council owners.
- Staff who transfer to FHDC under TUPE will have their EKH differential employment terms and conditions protected from harmonisation or standardisation that may be connected to the transfer of the service in-house.
- It is essential that relevant staffing information is gathered in regard to current terms and conditions (all formal and informal contractual terms) of relevant staff so that an assessment can be made of likely costs in preparation for moving towards a new delivery model for the eventual in house service.

Staff affected by TUPE will need to be determined. A HR work-stream will need to support the above to ensure that there is early identification of staff likely to be affected and appropriate consultation with all staff affected and trade unions.

Not all EKH staff are employed for the main purpose of providing services on behalf of a single council. Some staff are organised on a functional basis, providing services across all four councils. As a result, it is unlikely that TUPE will apply to all EKH staff. That said however, the councils will want to retain as many staff as possible with key specialist skills that will be required in the new in house services and local arrangements to facilitate the transfer of staff not protected by TUPE will be needed.'

- 8.4 **Property (SR)** - An assessment of the future staff accommodation requirements will need to be quantified. An Asset Management Strategy for the council's

housing stock will also need to be established, considering alignment and opportunities for efficiencies with our corporate property asset portfolio. The Director of Housing and Operations will lead on developing these two work strands.

- 8.5 **Equality (SR)** – Considerable efforts were made during the consultation to consult harder to reach groups. Of note, consultation meetings were held in the council's sheltered schemes and responses to the consultation could be provided online, by telephone or by post. Therefore, we can be confident that all council tenants and leaseholders were given the opportunity to participate in the consultation. People on low incomes, older people and more vulnerable households are all over represented among council tenants. Therefore, any changes to the service which will deliver efficiencies and improvements will benefit these people and households with these protected characteristics. An Equality Impact Assessment is attached at Appendix 6.
- 8.6 **Communications (KA)** – This report outlines that good communication, informing and involving tenants and leaseholders, elected members, EKH, council staff and other stakeholders will be required. A communications strategy will be developed to support the corporate project management group.

9. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officers prior to the meeting:

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Adrian Hammond

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The following background documents have been relied upon in the preparation of this report:

Cabinet Report C/19/29: East Kent Housing - Housing management: future options appraisal (16 October 2019)

Cabinet Report C/19/54: East Kent Housing – Pennington Choices investigation and recommendations (20 December 2019)

Appendices

- Appendix 1: CLG Updated guidance for councils considering the future of their ALMO housing management services (2011)
- Appendix 2: Cost/benefit analysis
- Appendix 3: Risk analysis
- Appendix 4: Tenant and Leaseholder consultation document
- Appendix 5: Analysis of consultation responses, Folkestone & Hythe District Council
- Appendix 6: Equality Impact Assessment

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Updated guidance for councils considering the future of their ALMO housing management services.

Purpose

1. About half of all council housing is managed by ALMOs. ALMOs have successfully delivered much of the Decent Homes investment programme. ALMOs have proved very popular with tenants and residents and in many areas have become key local providers of neighbourhood services.
2. As a number of the original management delegations and funding contracts between councils and ALMOs are now drawing to a close, councils are considering how best they can deliver their ongoing housing investment and management services into the future.
3. The reform of the HRA subsidy system will also bring major changes to the system of council housing finance and to the way in which councils view stock management. It is therefore timely to remind those councils who intend to review their housing management of the need for thoroughness and openness.
4. Councils are continually having to reassess how best to deliver all their services, including the provision of housing management. ALMOs are not immune from the need to drive value for money savings and spend taxpayers money wisely.
5. When determining the future of their ALMOs, councils will need to consider a number of important and competing factors. These include the wider financial, organisational and local political landscape within their councils, alongside the views of tenants.
6. This document sets out the Government's guidance on the processes that councils should undertake when considering taking housing management functions back in-house. This note strengthens previous guidance issued by the Department.

Current Position

7. The Government believes that the decision to take ALMO housing management functions back 'in-house' should remain a local one. Councils in England are currently required to seek consent from the Secretary of State under section 27 of the Housing Act 1985 where it seeks to transfer all or part of its housing management functions to an ALMO. There is no requirement for a council to seek consent when taking ALMO housing management functions back in-house. Government does not propose to alter these

arrangements.

8. Guidance issued by the Department in 2004 was consolidated after the Review of Arms Length Housing Management Organisations issued in June 2006. The Review considered a number of scenarios for taking forward the work of ALMOs, including the process should a council decide to take housing management back in-house following a consultation with tenants.
9. The Review recommended that any change in housing management arrangements should be the subject of a test of opinion no less rigorous than the test undertaken on transferring housing management functions to the ALMO.
10. The document went on to emphasise the importance of consulting and working with tenants and outlined the possible consultation mechanisms, including questionnaires, telephone surveys and ballots. A combination of options rather than a single favoured option was considered to be appropriate. This remains the case.

Future arrangements

11. Government does not believe in imposing any unnecessary additional regulations or burdens on councils. The Government does not consider it necessary to impose upon all councils with ALMOs a mandatory duty to hold a ballot of their tenants when considering taking housing management functions back from their ALMOs.
12. However, in line with the principles set out in the Review document, Government considers that in the interests of fairness and consistency, councils that had held ballots to gauge tenant opinion before transferring their housing management functions to an ALMO should also similarly hold a ballot when considering taking housing management functions back from the ALMO. This is important as it allows tenants to express their opinion in a similar manner to the original ballot.
13. For those councils that did not hold a ballot to test tenants' opinions but chose to use an alternative method, they may of course choose to hold a ballot. There are no plans to require those councils to follow a particular course of action.
14. However, it is expected that the consultation exercises undertaken by all councils considering the future of their ALMOs should be as comprehensive as that undertaken when transferring those functions to the ALMO originally. This could be either through a ballot or a full survey or other locally appropriate method.

¹ Review of Arms Length Management Organisations DCLG June 2006 [Link]

15. Ballots and other tests of opinion should not however be seen as a “be all and end all” solution, but as part of an ongoing, process of engagement. Any council considering undertaking an options review of its housing management arrangements should notify the Department as soon as possible in the process, as part of its wider commitment to demonstrate the openness of the process.

Tenant Engagement & Consultation

16. There are a range of steps that councils will need to consider and undertake when consulting their tenants on the future for their ALMOs. The list is not definitive and councils will wish to undertake the level of consultation which they consider is appropriate locally.
17. Councils should ensure that the information provided to tenants must be accurate and impartial. Tenants should have the opportunity to make a meaningful contribution to process leading to the final decision.
18. All tenants should have the opportunity to have a say in the final decision, either through a ballot or other comprehensive consultation process, and the process should be overseen by an external organisation, to ensure that it is fair and valid. Tenants could also be provided with an Independent Tenants Adviser (ITA) paid for by the ALMO/Council.
19. Councils should ensure that tenants have the opportunity to shape the options, and consulted from the outset. Tenants should be given the opportunity to be included in any project group leading the work and be allowed to scrutinise the council's process.
20. The aims and objectives of the review, plus timescales, processes, and criteria for short listing options and the final decision making, should be clearly set out and be publicly accessible.
21. Councils should carry out a full cost-benefit assessment exercise and risk analysis of the implications for the councils' wider housing service. Preferably, this should be externally validated. *(Risks should include potential loss of key staff and how that might affect implementation of self financing and major capital programmes, including decent homes, so that they fully understand the financial rationale for any decision they take).*
22. The council must clearly set out the pros and cons of the various options reviewed, demonstrate the potential impact on residents, and explain the reasons for recommending its final option(s).
23. The ALMO Board and employees should be allowed to contribute fully in any housing management review process. ALMOs and councils should work collaboratively towards an agreed outcome.
24. ALMO officers and their boards should cooperate fully with any review and assist their council to undertake any review in a timely and professional

manner. In that way, any call on costs and resources can be minimised.

Conclusion

25. It is clear that the best run councils and ALMOs are those where both parties work together collaboratively on behalf of tenants to ensure that the services they provide are efficient and value for money. Undertaking a thorough consultation exercise on the future of an ALMO and housing management is no different.
26. The Department recognises that there will be local differences in the way councils and ALMOs undertake their tenant consultation exercises. It is imperative that the views of tenants should be at the centre of these considerations.
27. If the Council intends to support the ALMO going forward, then clear funding streams for this must be identified, and a council decision ratifying such expenditure should be included in any consultation material.
28. ALMO housing management option reviews should be transparent and tenants should have all the information available so that they have the opportunity to be fully engaged in the process from the outset. The underpinning rationale remains that the level of consultation and engagement should be at least as comprehensive and robust as undertaken to transfer the housing management functions to the ALMO originally.
29. The Department does not intervene directly in disputes between councils and their ALMOs but will provide assistance and support as appropriate to try to ensure that reviews are conducted satisfactorily.

December 2011

Appendix 2:

An in-house housing management service: cost/benefit analysis of the options of creating an in-house service and retaining East Kent Housing (EKH), Arm Length Management Organisation (ALMO)

An options appraisal was completed in October 2019, reviewing the delivery of housing management services provided by East Kent Housing (EKH) on behalf of Canterbury City Council, Dover District Council, Folkestone and Hythe District Council and Thanet District Council. The four councils agreed that the preferred option for future service provision to the four councils' tenants and leaseholders is that it should become an in-house service, subject to consultation. Between 22 October to 20 December 2019, EKH tenants and leaseholders were invited to express their views on the future of the council's ALMO, East Kent Housing, through a test of opinion.

The council has considered the establishment of an in-house service through a process involving three stages:

1. Taking the minimum legal and administrative action needed to close down EKH and pass responsibility to the council in a stable and effective manner.
2. Drawing up proposals for the future housing service, and consulting on the key issues. The plans will cover new governance arrangements, organisational structures, possible integration with existing council services (e.g. customer services, property and estate management, community safety, communications), and the priorities and plans of the new service.
3. Implementing change to the service, based on the outcome of the tenant and leaseholder consultation.

These stages may progress in parallel. This cost/benefit analysis focuses on those issues where there may be opportunities to review the way services are provided.

Issue	In-house service	Retention of EKH	Comments on benefits
1) Management arrangements cost and quality issues	If the service were brought in-house, a decision would need to be made as to which EKH posts are in scope and what process will be undertaken for those posts not in scope. For those staff that transfer to the four councils, there may be scope to review the arrangements for both the former EKH staff and council staff. This will give the ability to look at the arrangements and focus on the efficiencies of the service. .	<p>If EKH were retained the senior structure in EKH would remain as at present, including a Chief Executive, two Directors, three Operations Managers and a Head of Finance.</p> <p>The total cost of the current EKH senior structure is £477,000 (top of the scale, not including on-costs).</p>	For quality to be maintained housing will need highly skilled leaders in sufficient numbers to avoid overloading individuals. Leaders will need to be sufficiently rewarded to retain their services. The current separation of EKH from the council creates significantly more work for both EKH and council senior staff than would be the case in an integrated service..
2) Management arrangements: implications of leadership changes on staff teams	As noted above, if the service is brought in-house there is a danger of reduced senior manager input during the transition. This would coincide with a period when staff particularly need leadership. In order to prevent a drop in performance during the transition, additional resources may have to be put in. This may take the form of interim managers or acting up arrangements. The potential cost cannot be quantified at this stage.	If EKH were to carry on providing the service, there would be a concern over their ability to attract and retain good senior managers.	The danger of disruption and loss of performance is a feature of any major change process. The impact can be minimised by anticipating where leadership will be needed, and deploying the resources required.

3) Management arrangements, implications for HRA self-financing	The council employs a number of senior staff with expert knowledge of HRA self-financing. If the service is brought in-house this expertise will still be needed. It will be important to encourage key individuals to remain in the organisation.	The council currently and will continue to oversee management arrangements for the HRA.	Although it would be possible to replace key individuals if they left, the loss of their local knowledge should be avoided if possible. As this is already provided in-house, there are no additional costs.
4) Governance: cost and quality issues	If the service comes in-house, the EKH Board would cease to operate. Instead decisions would be taken by Members and senior council officers. This change would simplify the decision making process. This simplification would save staff time and contribute to any savings required.	If the service remained with EKH, the EKH Board and its committees would continue to operate. The EKH Board typically deals with a greater level of detail than Members deal with in the council. A significant proportion of EKH senior management time is spent reporting to the Board.	During the consultation on the future of EKH, some tenants and leaseholders expressed concern about the accountability of the EKH Board. They felt accountability through the local democracy would be preferable. Many tenants and leaseholders said they would prefer to take their individual issues to their ward Member than to an EKH Board Member. Bringing the service in-house has the benefit of meeting tenants and leaseholders wishes.
5) Governance: implications for tenants and leaseholder involvement	In order to sustain tenant and leaseholder involvement in an in-house service, it is proposed to create a new Tenant and Leaseholder Panel. This would give tenants and leaseholders a voice in housing management issues by giving them access to	If the service remained with EKH, tenants and leaseholders would continue to be involved in governance through their seats on the EKH Board and extensive participation in other meetings. The cost of servicing	The proposed new Tenant and Leaseholder Panel offers the advantage of direct access for a wider group of tenants and leaseholders to the Lead Member. It would however have the disadvantage of being an advisory body only, in contrast

	the Lead Member. The establishment of such a body may have modest cost implications.	the current governance structure would remain high.	to the decision making role undertaken by Tenant and Leaseholder Board members in the current EKH structure.
6) Client /contractor split	If the service is brought in-house the current complex arrangements for the management of the agreement with EKH will no longer be required. This would save senior staff time contributing to any savings required	If EKH were to be retained, the current complex client contractor relations would have to be sustained.	The removal of the client/contractor relationship would make it easier for senior managers to concentrate on delivering high quality services to tenants and leaseholders.
7) Integration of services	Bringing the service in-house service may enable us to simplify structures and eliminate duplications with existing council services in a number of areas. The detailed work on the extent and nature of potential integration has yet to be carried out, and so savings cannot yet be quantified. Redundancy and pension costs will need to be considered.	The existence of EKH as an independent body gives rise to separation of services such as call handling. If EKH were retained many of these duplications would continue.	Integration of services offers the potential for service improvements through faster decision making and a greater focus on outcomes. There is also the potential for savings.
8) Accountability	Bringing the service in-house would simplify and unify the way housing is governed. This would make for more transparent accountability at senior management and elected member level. No	The retention of EKH would mean continuing with the current division of responsibilities. This causes some confusion among tenants and leaseholders and leads to blurring of responsibilities.	There is evidence of a degree of confusion among tenants and leaseholders about responsibilities. Bringing the service in-house would assist considerably in addressing this.

	saving would be achieved but tenants and leaseholder wishes would be met.		
9) One-off costs	<p>A decision to bring housing management in-house will create a number of one-off transition costs. Examples include:</p> <p>Legal, HR and IT work Changes to accounting structures Changing signage/stationary Project management</p>	If the service is left with EKH there would be no transition costs. However, the four councils have and will continue to need to investment substantially into a programme to address performance and health and safety compliance issues.	The exact cost of these items has yet to be calculated, and it will depend to some extent on decisions about the new service which have yet to be taken.

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Appendix 3

Folkestone & Hythe District Council housing management service: Risk analysis of a decision to create an in-house service

An options appraisal was completed in October 2019, reviewing the delivery of housing management services provided by East Kent Housing (EKH) on behalf of Canterbury City Council, Dover District Council, Folkestone and Hythe District Council and Thanet District Council. The four councils agreed that the preferred option for future service provision to the four councils' tenants and leaseholders is that it should become an in-house service, subject to consultation. Between 22 October to 20 December 2019, EKH tenants and leaseholders were invited to express their views on the future of the council's ALMO, East Kent Housing, through a test of opinion.

The format of this document will ensure compliance with the Government guidance on the consideration of the future of local councils' ALMOs dated December 2011 (Appendix 1). The risks identified in the document reflect the guidance. The table below analyses the risks and shows the steps which need to be taken to mitigate them. (In the table 1 is low).

	Risk	Likelihood 1-5	Impact score 1-5	Combined score 1-10	Mitigation
1.	Short term loss of key executive level staff with impact on service quality.	2	2	4	New posts of Director of Transition and Transformation and Director of Housing & Operations approved. Appointment of interims if necessary.
2.	Short term loss of key technical staff with impact on stock condition.	3	4	7	Appointment of interims if necessary. Where possible, EKH staff will TUPE transfer to the councils. It has been identified that the councils need to introduce a strategy to deal with those staff not identified to TUPE, although this has not yet been agreed, hopefully this will also contribute to minimising staff losses.

3.	Loss of focus on services and reduction in performance during transition.	2	4	6	Implementation of an effective performance management and monitoring strategy / scrutiny arrangement. Implementation of an effective communication strategy.
4.	Stability and therefore performance of EKH is affected by lack of staff / reliance on interims.	3	4	7	Each council continues to measure and manage performance, identifying a well-resourced package of specialised staffing support to address any issues arising. Implementation of an effective staff communication and engagement strategy.
5.	Revised governance arrangements leading to less tenant and leaseholder involvement.	1	4	5	Early creation of Tenant and Leaseholder Panel.
6.	Loss of service quality arising from reduced staff morale.	3	4	7	Implementation of an effective HR strategy to support staff, ensuring necessary training and development is in place. Implementation of an effective staff communication and engagement strategy.
7.	Loss of service quality arising from IT complications.	3	4	7	Early meeting with IT to identify issues (e.g. the full implementation of the single system) and develop a project action plan.
8.	Loss of service quality in strategic housing arising from overstretch.	3	4	7	Appointment of specialist interims if necessary.
9.	Cost of transition over-runs.	3	2	5	Adequate budget created and project management to include control.
10.	The council's consultation and decision making process are challenged.	2	1	3	Continue to comply with statutory guidance and good practice.
11.	Changes in Government guidance of statutory requirements during the transition.	1	2	3	None possible.

12.	Excessive short-term expectations from tenants and leaseholders.	4	3	7	<p>Manage expectations via published material and meetings with tenants and leaseholders.</p> <p>Implementation of a tenant and leaseholder communication strategy.</p>
13.	Unreasonable expectations of the future service arising from consultation.	3	3	6	<p>Manage expectations via published material and meetings with tenants and leaseholders.</p> <p>Implementation of a tenant and leaseholder communication strategy.</p>
14.	Insufficient senior staff capacity to support the transition project.	2	2	4	<p>New posts of Director of Transition and Transformation and Director of Housing & Operations approved.</p> <p>FHDC approved £250,000 from its HRA in 2019/20 and 2020/21 (split to be determined) to support interim transition management costs, subject to option 2 being supported (Cabinet report reference C/19/29).</p> <p>Use external specialists if necessary.</p>
15.	Changes in the required extent of reintegration of services made after reorganisation has started.	2	4	6	Identify the risks clearly at the start of any reorganisation.
16.	One or more of the four councils begins an aggressive recruitment campaign from EKH prior to the transfer date.	2	3	5	<p>The four council Chief Executives currently and will continue to meet fortnightly to discuss EKH.</p> <p>Regular transition monitoring by the four council Chief Executives.</p> <p>Co-ordinated and effective implementation planning to pinpoint decisions points and milestones throughout the transfer.</p>
17.	Redundancy costs are unaffordable due to the pool of staff subject to	2	4	6	Regular transition monitoring by the four council Chief Executives and HR teams.

	TUPE being very small and many of the remaining staff are not interested in being recruited by the Councils.				Co-ordinated and effective implementation planning to pinpoint TUPE implications throughout the transfer.
18.	No/limited EKH staff want to work for the four councils.	2	3	5	<p>Comprehensive HR communication plan to keep EKH staff informed of the project timescales, job opportunities, staff benefits etc. if they chose to transition to one of the four councils.</p> <p>Talent management plan developed identifying key people and knowledge and puts measures in place to secure these key people.</p>

Appendix 4: Consultation documents

Document 1: Covering letter

Dear xxx (*personalise*),

Have your say on how we look after your home

Your home is currently looked after by East Kent Housing on our behalf. They carry out safety checks, manage repairs, collect your rent etc.

Earlier this year we discovered serious problems with a range of safety checks at some properties looked after by East Kent Housing. I am sorry if that caused you to worry.

I am pleased to say we have made an enormous amount of progress in fixing those problems.

To make sure the same thing does not happen again, we have asked a range of experts to look into what went wrong.

We have also looked at how we should manage our council housing in the future.

We have come up with four options:

Option 1: Keep East Kent Housing and improve the way they work

Option 2: Close East Kent Housing and create a team at each council to look after your home

Option 3: Close East Kent Housing and work with nearby councils to look after your home

Option 4: Ask an outside organisation such as a housing association to look after your home

We think **Option 2** is the best way forward which means closing East Kent Housing leaving council staff to look after your home instead.

The advantages and disadvantages that we see of each way of doing things is explained in the attached information sheet.

We want to know what you think about our proposal and would ask you to spend a couple of minutes taking part in our survey.

You have until Friday 20 December and the easiest way to reply is online at canterbury.gov.uk/consultations (*link to be amended to be specific to each council*)

We have enclosed a paper copy and freepost envelope in case you prefer to do it that way.

If you want to find out more or have a chat about our proposals before making up your mind, we are holding some drop-in events:

- Add details of drop-in event 1 for the relevant district
- Add details of drop-in event 2 for the relevant district

If you need any help or support, for example if you need this information in a different format such as large print or Braille, or you'd like to talk to someone about the proposals over the phone or in person, please contact (name/job title) at [\(email address\)](#) or on 01303 853XXX who can arrange this for you.

We will tell Councillors, the people you vote for to run the council on your behalf, how you feel about the plans early next year before they make any final decisions.

When Councillors have taken those views on board and decided on what they think is the best way forward, we will write to you again.

We look forward to hearing from you.

Yours sincerely,

Head of Paid Service

Document 2: Information sheet

What is East Kent Housing?

East Kent Housing is a company that looks after council housing on behalf of Canterbury City Council, Dover District Council, Folkestone and Hythe District Council and Thanet District Council. It does not make a profit because it was designed to provide a service rather than make money for the councils.

The four councils jointly own East Kent Housing which manages approximately 17,000 homes.

East Kent Housing is overseen by an independent board which is made up of an elected councillor for each council area, a tenant from each council area and four independent members.

East Kent Housing was created on 1 April 2011 and is now in its ninth year of operation.

Why was East Kent Housing set up?

The four councils felt it would provide better quality services for tenants and leaseholders, increase efficiency and save money.

Why are we thinking about the way the system works?

Before the problems with safety checks were discovered, the four councils were worried about how East Kent Housing was performing.

Concerns included how they managed a number of contracts, how they were collecting rent and the progress they were making on getting a new computer system up and running.

The four councils and East Kent Housing all signed up to an improvement plan aimed at fixing these problems.

In May this year, it then became apparent gas safety checks were not being carried out.

This led to the discovery of problems with electrical checks, lift inspections, legionella checks and delays in fire prevention work being carried out. Action has been taken on all of these and they have been fixed or are in the process of being fixed.

By now, the four councils had reported themselves to the government body that oversees council housing, the Regulator of Social Housing. In September, the regulator issued formal notices against all four councils telling them improvements needed to be made.

Why are we saying East Kent Housing should be closed and the four councils should look after council homes themselves?

This is what is known as **Option 2** in our covering letter. We think the advantages of the councils taking back control are:

- The councils would be able to make decisions about their council homes more quickly

- The councils would be able to rebuild the strong relationships they had with tenants before East Kent Housing was created and talk directly to their tenants again
- The decisions around council housing would be made locally
- There could be opportunities to increase investment in council homes
- There could be cost savings from removing duplicated jobs

We think the disadvantages are:

- Performance around repairs and maintenance might dip while the changes are made
- Key staff might not want to work for one of the councils

Why did we rule out the other options?

Option 1 involves East Kent Housing continuing to manage council housing on behalf of the councils with improvements to the way they work

We feel the advantages of this approach are:

- The risks are reduced if smaller changes are being made to the service being provided and this is the least complicated option
- There would be no need to ask tenants for their views
- There is the opportunity for East Kent Housing to improve

We think the disadvantages are:

- The councils, who are paying for East Kent Housing's services, would have less control than if they were running things themselves.
- The extra layer of management provided by East Kent Housing could get in the way of necessary changes
- Lots of people, including councillors, have lost trust in East Kent Housing carrying out safety checks when they need to
- East Kent Housing has struggled to carry out its work and manage the people carrying out work for it. It would cost money to put this right

Option 3 is to close East Kent Housing and for some or all of the councils to work together to manage council housing.

In our view, the advantages are:

- The councils would have more control over the service being delivered
- The councils would be able to save money by not duplicating jobs and taking advantage of their greater buying power to reduce the prices of the goods and services they buy

We feel the disadvantages are:

- The councils would lose a little bit of control over buying decisions

- Disagreements between the councils could hamper efficiency and improvements

Option 4 involves asking an outside provider like a housing association to manage council homes.

We think the advantages of this option are:

- An outside organisation might be more efficient because it operates more like a private company and might have more buying power to reduce the prices of the goods and services they buy
- Any extra money generated can be ploughed back into other council services

The disadvantages are:

- Any savings that are made might be lost if the council cannot persuade the outside provider to alter the way it delivers its services when things go wrong
- It will take the councils a lot of work to ensure the outside provider manages council housing in the way councillors, and ultimately, tenants want
- Tenants and councillors may not trust an outside provider
- An outside provider would be exposed to the same risks as a private company

What happens if one or two of the four councils decide to stay with the current arrangements while the remaining councils take direct control of their housing service?

If the majority of councils decide to close East Kent Housing, it will close. The remaining councils would have to consider their next steps.

If the councils decide to bring the service back under their direct control, would this affect the service I receive?

No, the intention is it would simply be delivered by staff at the council instead of at East Kent Housing. They may be the very same staff you deal with at the moment. You would still be able to access housing services at the council office, by telephone or via the council website.

Would the proposal affect the amount of rent and service charges I pay?

No.

Would the proposal affect the work due to be done to my home?

No, all programmed work will continue as planned. The council will continue to keep your home to a decent standard.

Would staffing levels change?

There is a chance that levels would change overall but staff would still be delivering services and work within the community. The big difference is their employer would change and they are likely to be based in the council's offices.

Would the quality of housing provided change?

The four councils are committed to providing high-quality housing services to all tenants and leaseholders. The aim would be direct management by the four councils would lead to improvements.

Would the transfer affect how I report housing issues?

No, each council has a customer contact centre to provide a single access point for council services including housing.

When will you make a decision on whether to bring the service back under council management?

Consultation closes on Friday 20 December 2019. What you tell us will be reported to councillors early next year. They will use your feedback to decide how your housing service should be delivered in future.

As soon as a decision has been made, we will write to you again to let you know.

If you decide to bring the service back under direct council control, what happens next?

If the council decides to do this, more work would need to be done to manage the process and keep any disruption to a minimum. We would keep you informed on progress.

Add council logo

Have your say on how we look after your home

- Complete the questionnaire online at (website) *(link to be amended to be specific to each council)*
- Fill in this paper copy and either:
 - Send it back to us in the freepost envelope provided
 - Bring it to us at one of our consultation events
 - Bring it to the council offices at (address) *(to be amended to be specific to each council)*

Questions that need a response are marked with a red asterisk (*)

☐ Council tenant or leaseholder

☐ Other individual

☐ A business, organisation or community group, please provide the name: _____

☐ Other, please state: _____

- ☐ Strongly agree
- ☐ Tend to agree
- ☐ Neither agree nor disagree
- ☐ Tend to disagree
- ☐ Strongly disagree

3. What do you feel are the most important things for the council to focus on for your housing services? * Please tick up to three options

- ☐ Dealing with repairs and maintenance
- ☐ Dealing with anti-social behaviour
- ☐ Providing value for money for your rent and service charges
- ☐ Building new council homes
- ☐ Estate services (such as grass cutting, cleaning communal areas etc)
- ☐ Dealing with customer enquiries and complaints
- ☐ Involving and listening to residents
- ☐ Other, please state: _____

4. If you are a tenant or leaseholder, would you like to be more involved in the management of your council home? *(On the online version, this question only to appear to people who ticked "Council tenant or leaseholder" as their answer to Question 1)*

If you would, and you are happy for the council to contact you about becoming more involved, please tick the box to indicate your consent to your email address being used to contact you in this regard: *(insert tick box)*

Please provide your email address: _____

5. Do you have any other comments on your housing services?

Thank you for taking the time to give us your views.

Future options for managing council housing Analysis of consultation responses

1. Introduction

Consultation on future options for the management of housing services across East Kent took place between 22 October and 20 December 2019.

All council tenants and leaseholders across the district were sent a letter, information sheet and questionnaire inviting them to give their views, and an online version of the questionnaire was available on the council's website.

Additionally, key stakeholders including district councillors, county councillors, MPs, Citizens Advice Bureaux, Kent County Council Social Services, Kent Police and the NHS were emailed directly inviting them to respond to the consultation.

2. Questionnaire responses

A total of 602 completed questionnaires were received. 72 of these were submitted online and 530 paper copies were returned.

In terms of who responded:

- 588 tenants and leaseholders (16% of all tenants and leaseholders)
- 4 other individuals
- 1 response from the Shepway Tenants and Leaseholders Board
- 1 response from Age UK Hythe and Lyminge
- 1 shared ownership resident
- 7 respondents did not say in what capacity they were responding

2.1. Level of agreement with the proposal to bring the service back in house

As shown below, 74% of respondents agree to some extent with the proposal:

	All respondents	Tenants and leaseholders
Strongly agree	54% (323)	54% (316)
Tend to agree	20% (120)	20% (119)
Neither agree nor disagree	13% (76)	13% (75)
Tend to disagree	4% (21)	4% (21)
Strongly disagree	9% (53)	9% (51)

The following comments were made by respondents who agree with the proposal:

- Lack of action by East Kent Housing to deal with repair and maintenance issues: 104 comments
- The council is more local so can deal with issues more quickly: 93 comments
- The council would be more accountable than East Kent Housing: 82 comments
- Unhappy with the general standard of service provided by East Kent Housing: 72 comments
- Lack of communication from East Kent Housing: 53 comments
- The service provided by East Kent Housing has deteriorated in the last few years: 50 comments
- The council ran the service well before East Kent Housing was created: 41 comments
- It would be easier for residents to deal directly with the council: 29 comments
- The council knows its own housing stock: 20 comments
- The council could build stronger relationships with its tenants: 20 comments
- East Kent Housing do not provide us with a dedicated Housing Officer anymore: 18 comments
- Any money saved from bringing the service under direct council control could be used to improve housing services: 11 comments
- Lack of action by East Kent Housing to deal with anti-social behaviour: 10 comments
- Bringing the service under direct council control would minimise the risk of an alternative provider seeking to make a profit: 9 comments
- Agree, providing a dedicated housing department is created at the council: 3 comments
- Agree, providing our existing Independent Living Manager is retained: 1 comment

Respondents who disagree with the proposal made the following comments:

- East Kent Housing provide a good service: 35 comments
- Concern that neither the council nor East Kent Housing would deliver a good service: 10 comments
- Concern the council would reduce service levels and/or staff if option 2 is implemented: 6 comments
- Concern it would be harder to contact the council than it is to contact East Kent Housing: 4 comments
- Concern the council would not provide front line staff with the support needed to deliver the service effectively: 3 comments
- Concern we would not keep our existing Independent Living Manager: 2 comments
- Concern bringing the service under direct council control would cost more money: 2 comments

General comments received regarding the proposal:

- No preference on who runs the service as long as it is delivered effectively: 17 comments

- Don't feel able to give an opinion as only recently became a tenant: 3 comments
- Don't feel there is any point giving an opinion as they feel it would not be listened to: 3 comments
- The decision should be made by experts: 2 comments
- Concern the council has already decided on its preferred option: 1 comment

2.2. What the council should focus on for housing services

Respondents were asked what they feel are the three most important things for the council to focus on for housing services. The following responses were received:

Dealing with repairs and maintenance	79% (473)
Dealing with anti-social behaviour	22% (130)
Providing value for money for your rent and service charges	40% (240)
Building new council homes	24% (142)
Estate services (such as grass cutting, cleaning communal areas etc)	21% (129)
Dealing with customer enquiries and complaints	36% (218)
Involving and listening to residents	24% (142)
Other: <ul style="list-style-type: none"> • Improve dialogue with all residents x3 • Maintain reasonable rent charges x1 • Improve efficiency x1 • Improve consultation with residents x1 • Improve dialogue with disabled residents x1 • Dealing with communal repairs x1 • Listen to East Kent Housing x1 • Be more accountable x1 	2% (10)

2.3. Resident involvement

Tenants and leaseholders were asked if they would like to be more involved in the management of their council homes. 89 tenants and leaseholders said they would, and provided their contact details.

2.4. Other comments

The following additional comments were received:

- The council needs to listen to tenants more: 25 comments
- Estate services need improvement: 22 comments
- Unhappy that East Kent Housing no longer provide rent statements: 10 comments
- The council needs to build more properties: 6 comments
- Problems with parking: 4 comments

- Problems with the way East Kent Housing have calculated leasehold service charges: 3 comments
- Would be happy to pay a higher leasehold service charge if it meant more repairs would be carried out: 2 comments
- Concern over the criteria for allocating properties to residents on the housing register: 1 comment
- Problems with items left in communal areas: 1 comment
- Would oppose the service being outsourced to a housing association: 1 comment

3. Events

3.1. Win Pine House, Hythe, 7 November 2019

This event was staffed by Adrian Hammond, Sandra Sainsbury and Tasha Love and 21 residents attended. Five councillors also attended.

The main issues discussed were:

- Lack of communication from East Kent Housing
- Lack of action by East Kent Housing to deal with repair and maintenance issues
- Issues with parking bays
- Issues with recycling bins
- Sheltered tenants would like a greater Independent Living Manager presence

Additionally, all but one of the attendees stated their support for the service returning to the council.

3.2. All Souls Church Hall, Cheriton, 9 November 2019

This event was staffed by Adrian Hammond and Sandra Sainsbury and 11 residents attended. Six councillors and a tenant who is a member of the Shepway Tenant and Leaseholder Board also attended.

The main issues discussed were:

- Lack of parking bay markings at sheltered scheme, worried about vehicles being damaged
- Repairs not carried out even though contractor had visited to measure up
- Wished to downsize but could not get in touch with anyone

3.3. Assembly Rooms, New Romney, 20 November 2019

This event was staffed by Adrian Hammond, Sandra Sainsbury and Lizzie Norcott and 3 residents attended. Two councillors and a tenant who is a member of the Shepway Tenant and Leaseholder Board also attended.

The main issues discussed were:

- Lack of action by East Kent Housing to deal with repair and maintenance issues
- Concern over issues with contractors
- General lack of a good service from East Kent Housing
- Lack of communication from East Kent Housing
- Need for regular rent statements

3.4. Salvation Army, Folkestone, 4 December 2019

This event was staffed by Adrian Hammond, Sandra Sainsbury and Lizzie Norcott and 5 residents attended. Three councillors also attended.

The main issues discussed were:

- Lack of action by East Kent Housing to deal with repair and maintenance issues
- Support for East Kent Housing
- Lack of communication from East Kent Housing
- Concern of rent increasing

3.5. Nailbourne Court, Lyminge

This event was staffed by Sandra Sainsbury and 8 residents attended. One councillor also attended.

The main issues discussed were:

- Concerned about trees surrounding the building - very overgrown and move about a lot when windy
- Residents keep asking for things to be done, repairs are outstanding for months and when they are carried out, the problem is not always sorted
- Concerns over very elderly residents not receiving a daily call when the Independent Living Manager is on leave

4. Contact with the consultation team

The consultation team dealt with enquiries from 8 Folkestone & Hythe residents:

- Repairs reported to EKH but not dealt with x4
- Tenant's son seeking clarification on how the consultation would affect his mother x1
- Tenant querying how the proposal would affect her x1
- Leaseholder querying whether both leaseholder names are recorded on the system x1
- Leaseholder querying why her deceased husband is still recorded on the system x1

NB: One of these tenants also said she supports bringing the service back in house.

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Equality Impact Assessment

Topic	Housing Management Options Appraisal; Outcome of Formal Consultation
For decision by/project lead	Cabinet - 19 February 2020
Date of assessment (or date range if over a period of time)	6 February 2020
Author	Adrian Hammond, Housing Lead Specialist

Page 125	Introduction to the proposal and background		<p>Following a number of significant service failures in the housing services provided by East Kent Housing, the four owner councils of Canterbury City Council, Dover District Council, Folkestone and Hythe District Council and Thanet District Council completed an options appraisal in October 2019.</p> <p>The appraisal reviewed the delivery of housing management services provided by East Kent Housing (EKH). It concluded that the four councils' preferred option for future service provision to the four councils' tenants and leaseholders is that it should become an in-house service, subject to consultation.</p> <p>The formal consultation ran for 8 weeks from Tuesday 22 October to Friday 20 December 2019. The results of the consultation showed that 74% of respondents tended to agree (20%) or strongly agreed (54%) to the preferred option to bring the housing management service back in house.</p> <p>The Council's Cabinet will consider the outcome of the consultation at its meeting on 19 February 2020 and make a final decision about bringing the service back in house. The report concludes that this decision would be in the best interests of tenants and leaseholders.</p>													
	PSED Engaged by this topic (Select)	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>	If no, please explain your reasoning and provide evidence where possible.										
Protected Characteristic	Definitions	<table border="1"> <tr> <th colspan="3">Positive Impact</th> <th rowspan="2">Negative Impact</th> <th rowspan="2">No specific impact</th> <th rowspan="2">What will the impact(s) be? If there is a negative impact, can you mitigate it or suggest alternative options for the groups identified? Include detail of any consultation that has taken place with affected groups and any other relevant data that supports the points you make (see EIA Guidance).</th> </tr> <tr> <td>P S E D A i m 1</td> <td>P S E D A i m 2</td> <td>P S E D A i m 3</td> </tr> </table>			Positive Impact			Negative Impact	No specific impact	What will the impact(s) be? If there is a negative impact, can you mitigate it or suggest alternative options for the groups identified? Include detail of any consultation that has taken place with affected groups and any other relevant data that supports the points you make (see EIA Guidance).	P S E D A i m 1	P S E D A i m 2	P S E D A i m 3			<p>If there is a negative impact, please explain the 'legitimate aim you are trying to achieve' and provide evidence that no other options are available.</p> <p>Use this space to evidence your thinking if you believe there to be no impact on a particular protected characteristic. Ensure you assess each protected characteristic.</p>
Positive Impact			Negative Impact	No specific impact	What will the impact(s) be? If there is a negative impact, can you mitigate it or suggest alternative options for the groups identified? Include detail of any consultation that has taken place with affected groups and any other relevant data that supports the points you make (see EIA Guidance).											
P S E D A i m 1	P S E D A i m 2	P S E D A i m 3														

Gender	Men/Boys					✓	
	Women/Girls					✓	
Gender Reassignment						✓	
Disability	Physical		✓				An estimated 65% of the council's tenants and leaseholders are vulnerable or have a disability. The purpose of the proposed change in housing management arrangements include the need to improve the quality of service provision and ensure that the service is more locally accountable. It is likely that vulnerable tenants and leaseholders or those with physical disabilities are more likely to rely on these services.
	Mental Ill health/disability		✓				
	Learning difficulty/disability		✓				
	Sensory impairment		✓				
Age	Babies and children (0-16)					✓	
	Young adults (16-25)					✓	
	Mid-age adults (26-59)					✓	
	Older adults (60+)					✓	
Race	White British/white other					✓	
	Mixed race					✓	
	Asian/Asian British					✓	
	Black/Black British					✓	
	Arab/Arab British					✓	
	Gypsies/travellers					✓	
	Other ethnic group					✓	
Sexual Orientation	Heterosexual					✓	
	Gay man					✓	

	Lesbian					✓	
	Bisexual					✓	
Religion or Belief	Faith Groups					✓	
Pregnancy & Maternity						✓	
Marriage & Civil Partnership	<i>(Aim 1 of the PSED only)</i>					✓	
Socio-Economic Background	<i>(N.B not a protected characteristic but relevant to Thanet)</i>		✓				Around 75% of the council's tenants are in receipt of either housing benefit or the housing element of Universal Credit. The council's housing management service includes support for these residents to ensure that they are able to meet their rent payments and effectively maintain their tenancies. The purpose of the proposed change in housing management arrangements include the need to improve the quality of service provision and ensure that the service is more locally accountable. It is likely that households on low incomes need to access rent collection and welfare support services more frequently.

Consultation with Information Governance & Equality Team					
Date advice given	6 February 2020				
Summary of Advice – Key Points	Proposals are a positive benefit to tenants and leaseholders with protected characteristics				
Advice accepted by responsible officer?	Yes	✓	No		If no, please explain your reasoning.

Approval and Sign off from Line Manager			
Name	Adrian Hammond	Job Title	Housing Lead Specialist
Date	6 February 2020		

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This Report will be made
public on 11 February
2020

Report Number **A/19/30**

To: Council
Date: 19 February 2020
Status: Key Decision
Responsible Officer: Tim Madden, Director of Transformation and Transition (Acting Director of Place)
Cabinet Members: Councillor David Monk, Leader of the Council and Councillor Godfrey, Housing, Transport and Special Projects

SUBJECT: Housing Revenue Account Business Plan Update 2020 - 2050

SUMMARY: The Council is required to produce a comprehensive Business Plan for its housing stock. The Business Plan is focused on improving the quality of the Council's landlord services and sets out the investment priorities for its existing Council housing stock. The document also provides details of the council's new build and acquisition housing programme. In view of policy changes implemented by the Government in 2018 to abolish the HRA borrowing cap, it was possible for the Council to increase its delivery target for new builds and the Business Plan was revised to deliver up to 300 homes by 2024/25. Following further reviews of the HRA financial position, its borrowing capacity and the Council's priorities the Business Plan has been updated to deliver a further 1,000 homes over the 10 year period from 2025/26 to 2034/35. The revised Business Plan also includes capital investment of £10m into existing housing stock. This report provides the details supporting the updated plan.

REASONS FOR RECOMMENDATIONS:

Full Council is asked to agree the recommendations below because:

- a) The Council is required by Government to have a comprehensive Business Plan in place for its Housing Stock and other assets within the HRA.
- b) The Council is required to properly plan the repayment of its debt within the HRA. It is essential that it has an effective Business Plan to properly resource its HRA activity.
- c) The Government has announced a number of policy changes in relation to the HRA accounts held by local authorities. It is vital that the council keeps its HRA Business Plan under ongoing review to ensure that it remains fit for purpose. These changes have significantly impacted on the scale of the council's new build and housing acquisition programme.

RECOMMENDATIONS:

- 1. To receive and note report A/19/30.**
- 2. To agree the Council should increase the number of homes delivered through its HRA new build and acquisition programme to up to 1,200 homes over the period from 2020/21 to 2049/50 based on the updated Business Plan.**
- 3. To agree the Council should invest £10m into existing housing stock.**
- 4. To agree that an update to the text of the HRA Business Plan be considered by Full Council in June.**

1. BACKGROUND

- 1.1 The Council is required to have a comprehensive HRA Business Plan in place to set out its proposals for financing and maintaining its housing stock and other assets held within the HRA.
- 1.2 The Council's HRA is a ring-fenced account held by the Council. It contains all the expenditure and income relating to the 3,395 properties and other assets owned and managed by the Council in its role as a landlord. East Kent Housing delivers the landlord role on behalf of the Council although this is currently subject to review.
- 1.3 Since 2012, the Council has been able to take greater control of the HRA and the rental income it receives from the rented homes it provides due to the introduction of self-financing within the HRA by the Government.
- 1.4 The key strategic objectives of the HRA Business Plan are:
 - To provide high quality affordable homes.
 - To provide an efficient and effective housing management service.
 - To achieve efficiencies in service delivery and invest in service improvement for tenants and leaseholders.
 - To maximise the recovery of rental income.
 - To continue the Council's new build and acquisition programme, delivering affordable homes for rent and shared ownership.
- 1.5 In October 2018 the Government announced the removal of the HRA borrowing cap to enable local authorities to build more homes. In view of this announcement the HRA Business Plan was reviewed and the Council was able to increase the number of additional affordable Council homes to be delivered through the new build and acquisition programme from 200 to 300. The programme includes units for affordable rent and shared ownership purchase.
- 1.6 In line with good practice, The HRA Business Plan is subject to ongoing review to ensure that it remains fully fit for purpose. Details of the overall HRA investment in the Council's existing housing stock, including the resources for the housing management and maintenance service, were reported to Cabinet in January as part of the overall HRA budget setting process for 2020/21. The review has also highlighted that there is potential to increase the number of properties that will be delivered through the Council's new build and acquisition programme.
- 1.7 Cabinet considered the updated HRA Business Plan at its earlier meeting on 19 February 2020 and approved it to be submitted to Full Council. The HRA Business Plan was also subject to review by Overview and Scrutiny Committee on 18 February 2020.

2. New Build and Acquisition Programme

2.1 To date the Council has delivered 100 additional homes through the Council's new build and acquisition programme, including homes for rent and shared ownership purchase.

2.2 Further sites are in the pipeline over the next 4 years which will enable the Council to continue to deliver its new build and acquisition programme. The pipeline sites at this time are as follows:

• Highview School -	35 units (completion subject to planning)
• Fernfield Lane -	6 units (completion date to be confirmed)
• Biggins Wood -	25 units (completion date to be confirmed)
• Ship Street -	30 units (completion date to be confirmed)
• Princes Parade -	30 units (completion date to be confirmed)
• Littlestone -	14 units (completion date to be confirmed)
Total units	140

Subject to overall viability within the programme it is envisaged that approximately 37 of the homes above will be provided for shared ownership purchase.

2.3 Following a further review of the current financial position within the HRA and the projections going forward in light of the removal of the borrowing cap, there is an opportunity for the Council to expand its new build programme to significantly increase the number of new homes in the district. The programme will include units for affordable rent and shared ownership purchase.

2.4 The updated Business Plan models delivery of 1,200 homes within the period up to 2034/35. For the purposes of modelling the profiled delivery of these units is as follows:

	2020/21	2021/22	2022/23	2023/24	2024/25
Units	65	26	55	40	14

	2025/26	2026/27	2027/28	2028/29	2029/30
Units	100	100	100	100	100

	2030/31	2031/32	2032/33	2033/34	2034/35	Total
Units	100	100	100	100	100	1,200

2.5 In order to fully deliver the programme, it will be necessary for the Council to identify a number of additional sites or properties for conversion. Whilst in principle it is possible to deliver the 1,200 homes over the next 15 years, it is not possible to provide a precise timeframe as this will be subject to the Council securing the necessary sites/properties for conversion.

2.6 If the proposed increase in the number of homes is agreed by Cabinet, the text within the Council's HRA Business Plan will be updated to reflect this change. Any minor interim changes to the text will be approved by the

Cabinet Member for Housing, Transport and Special Projects and the wider business plan document will be reviewed and reported back to Full Council in June.

3. Capital Investment

- 3.1 Following a consultation with tenants around the future of East Kent Housing, it is likely that the housing management service will be brought back in-house. It may be necessary to make a significant investment in the existing housing stock.
- 3.2 The updated plan includes additional funding of £10m to be made available from 2020/21 to be spent on an enhanced capital programme over the three years up to 2022/23, the first £3.5m of this has been identified in the HRA 2020/21 Budget paper.

3. Resourcing the Business Plan

- 3.1 The main source of income within the HRA is the rents paid by the Council's tenants. In 2016 the Government announced that Council landlords were required to reduce their general need housing rents by 1% from 2015/16 levels each year for a four year period from 2016/17. The required period of rent reductions will come to an end from April 2020 when councils can increase rents by CPI plus 1% for a period of 5 years. This increase in income has supported the increase in new build expenditure.
- 3.2 The Council also receives income for services provided that are not already covered by its rental charges, such as communal area cleaning charges and heating charges.
- 3.3 The current agreed Business Plan includes external borrowing of £20.8m to deliver 300 homes. The revised Business Plan requires a total of £248.9m external borrowing over a 13 year period (starting in 2021/22) to resource the increased new build programme of 1,200 homes and capital investment into exiting stock. This is an additional borrowing requirement of £228.1m. The Business Plan has assumed that this will be financed from new treasury loans which will be repaid upon maturity, ensuring that the HRA maintains a minimum reserve balance of £2m. The long-term debt will be managed as part of the Council's debt portfolio.

Actual loan amounts, interest rates and repayment dates will vary subject to actual new build schemes available to the Council.

- 3.2 Existing loans within the HRA will continue to be repaid upon maturity and approximately 50% of the total HRA debt will be repaid within the 30 year life of the plan (2049/50) and approximately 75% will be repaid by 2055/56.
- 3.3 Additional staffing capacity will be required to deliver the uplifted programme and costs for additional resources have been factored into the model.

4. Expenditure within the HRA

4.1 The main costs for the council in terms of the management of its housing stock are:

- The management fee paid to East Kent Housing
- The insurance costs associated with the housing stock
- The cost of grounds maintenance services

4.2 The council also incurs costs within the HRA for the provision of its responsive repairs service. An effective and efficient repairs service has a significant impact on overall levels of tenant satisfaction and is further priority of this plan.

4.3 In addition to this revenue expenditure, the council also has a programme of capital expenditure to maintain the condition of its housing stock on a programmed basis. The Business Plan includes details of the proposed capital expenditure programme based on the stock condition survey undertaken in 2016/17.

5. RISK MANAGEMENT ISSUES

5.1 A summary of the perceived risks to the Council is shown below:

Perceived risk	Seriousness	Likelihood	Preventative action
Insufficient resources within the HRA to deliver the new build and acquisition programme.	High	Low	HRA Business plan is subject to ongoing review to ensure that it remains fully fit for purpose and is developed in line with Government Best Practice.
The impact of further Government policy changes which impact on the delivery of this business plan.	High	Medium	The ongoing review of this business plan to ensure that it remains fit for purpose.

6. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

6.1 Legal Officer's Comments (NE)

The Council, as a local housing authority, must maintain a Housing and Revenue Account in accordance with s74 of the Local Government and Housing Act 1989. The HRA must include sums falling to be credited or debited in accordance with the category of properties listed in s74(1) which consists primarily of Council housing stock. HRA must include any capital

expenditure on housing stock which a local authority has decided to charge to revenue. Save in accordance with a direction of the Secretary of State, sums may not be transferred between HRA or General Fund therefore HRA is ring-fenced and cannot be used to subsidise a budget deficit within General Fund, neither can General Fund be used to subsidise a budget deficit in HRA. S76 of the 1989 Act requires local authorities to formulate and implement proposals to secure HRA for each financial year does not show a debit balance. If a debit occurs, this must be carried forward to the next financial year.

Cabinet must be aware that the implementation of the housing development programme anticipated by this report will be conditional upon receipt of unqualified planning permission.

6.2 Finance Officer's Comments (CI)

The financial issues and associated risks are addressed in the report.

6.3 Diversities and Equalities Implications (AH)

The HRA Business Plan is subject to ongoing review. No negative diversities and equalities impacts have been identified to date.

7. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting

Adrian Hammond (Housing Strategy Manager)
Telephone: 01227 853392
Email: Adrian.hammond@folkestone-hythe.gov.uk

The following background documents have been relied upon in the preparation of this report:

Updated Folkestone & Hythe HRA Business Plan 2019 – 2049

Appendices:

- Appendix 1: Detailed revenue and balance projections
- Appendix 2: Capital Expenditure Forecasts
- Appendix 3: Forecast Debt Profile
- Appendix 4: Forecast HRA Balances

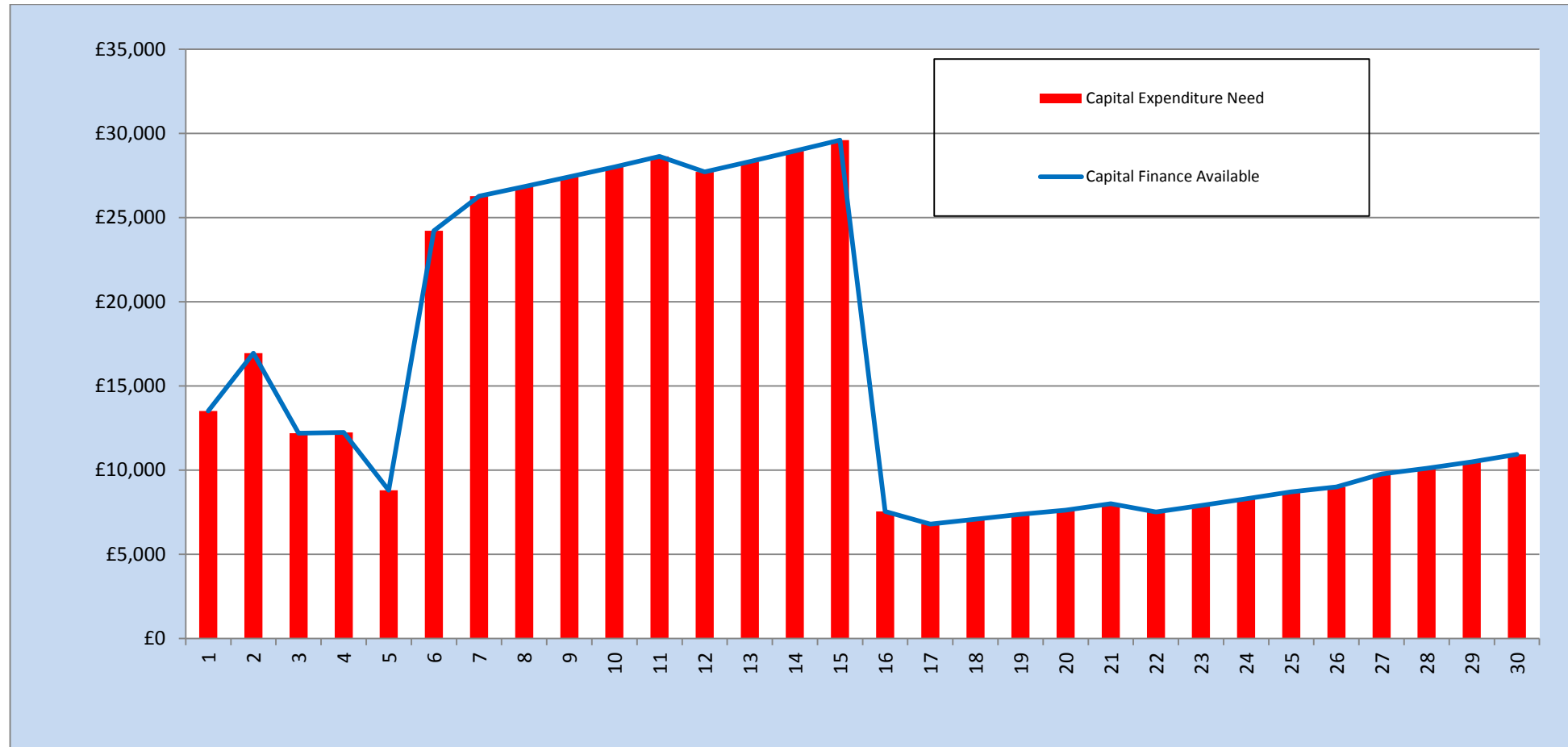
Appendix 1

HOUSING REVENUE ACCOUNT PROJECTIONS

Folkestone & Hythe District Council

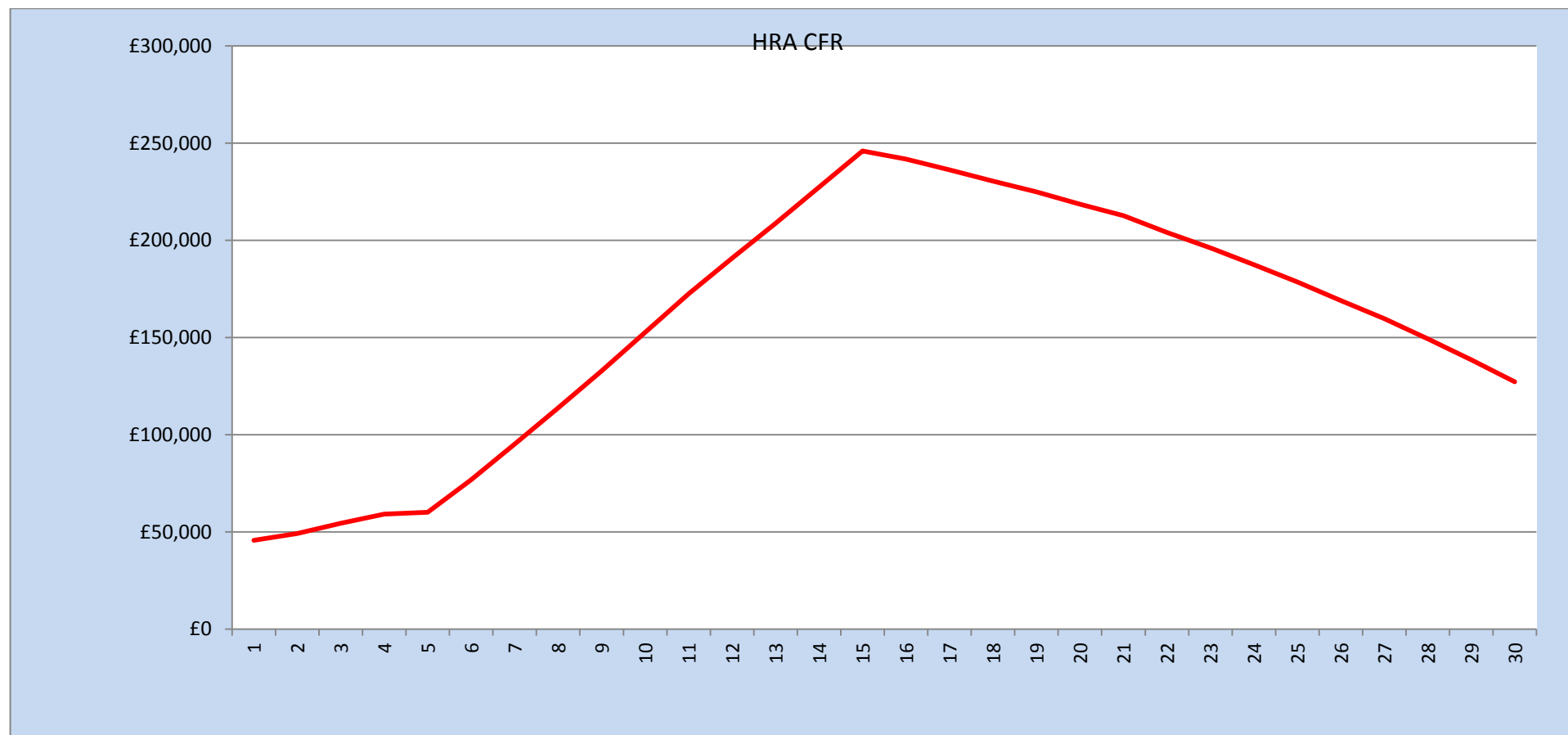
Year	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30	2029-34	2034-39	2039-44	2044-49
£'000	1	2	3	4	5	6	7	8	9	10	11-15	16-20	21-25	26-30
INCOME:														
Rental Income	15,013	15,742	16,302	17,045	17,737	18,222	19,263	20,355	21,501	22,692	132,970	161,469	181,259	203,768
Void Losses	-75	-80	-84	-89	-94	-97	-105	-114	-124	-133	-828	-1,054	-1,185	-1,334
Service Charges	1,010	1,030	1,051	1,072	1,093	1,115	1,137	1,160	1,183	1,207	6,406	7,073	7,809	8,622
Non-Dwelling Income	342	349	356	363	371	378	386	393	401	409	2,172	2,398	2,648	2,923
Grants & Other Income	52	53	54	55	57	58	59	60	61	62	331	366	404	446
Total Income	16,343	17,094	17,679	18,446	19,163	19,675	20,739	21,854	23,023	24,237	141,051	170,252	190,934	214,425
EXPENDITURE:														
General Management	-4,080	-4,161	-4,245	-4,330	-4,416	-4,504	-4,595	-4,686	-4,780	-4,876	-25,881	-28,575	-31,549	-34,833
Special Management	-1,036	-1,057	-1,078	-1,100	-1,122	-1,144	-1,167	-1,190	-1,214	-1,238	-6,574	-7,258	-8,013	-8,848
Other Management	-22	-22	-23	-23	-24	-24	-24	-25	-25	-26	-138	-152	-168	-186
Rent Rebates	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Bad Debt Provision	-151	-157	-203	-162	-169	-174	-184	-194	-206	-217	-1,276	-1,554	-1,744	-1,961
Responsive & Cyclical Repairs	-3,787	-3,882	-3,979	-4,078	-4,180	-4,338	-4,469	-4,627	-4,777	-4,909	-27,878	-34,103	-39,577	-44,587
Total Revenue Expenditure	-9,075	-9,280	-9,527	-9,693	-9,910	-10,185	-10,438	-10,723	-11,003	-11,266	-61,747	-71,641	-81,052	-90,414
Interest Paid	-1,543	-1,391	-1,547	-1,688	-1,730	-2,171	-2,714	-3,172	-3,853	-4,736	-30,916	-35,823	-30,988	-23,814
Finance Administration	-4	0	-2	-3	-2	-7	-8	-7	-8	-12	-15	0	0	0
Interest Received	76	36	14	14	14	16	17	17	18	19	89	95	108	113
Depreciation	-2,565	-2,728	-2,853	-2,961	-3,035	-3,239	-3,450	-3,670	-3,899	-4,136	-24,518	-28,832	-31,716	-34,920
Net Operating Income	3,232	3,731	3,765	4,115	4,501	4,090	4,145	4,299	4,277	4,105	23,943	34,052	47,287	65,389
APPROPRIATIONS:														
FRS 17 /Other HRA Reserve Adj	195	195	199	203	207	211	215	220	224	228	1,213	1,339	1,478	1,632
Revenue Provision (HRACFR)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Revenue Contribution to Capital	-6,805	-10,224	-3,904	-4,296	-4,698	-3,974	-4,291	-4,532	-4,398	-4,134	-25,362	-34,919	-48,812	-66,646
Total Appropriations	-6,610	-10,029	-3,705	-4,093	-4,491	-3,763	-4,076	-4,312	-4,174	-3,906	-24,149	-33,580	-47,334	-65,013
ANNUAL CASHFLOW	-3,378	-6,298	60	22	10	326	69	-13	103	200	-206	472	-47	375
Opening Balance	11,665	8,288	1,989	2,049	2,071	2,081	2,408	2,477	2,464	2,568	2,767	2,561	3,033	2,987
Closing Balance	8,288	1,989	2,049	2,071	2,081	2,408	2,477	2,464	2,568	2,767	2,561	3,033	2,987	3,362

Analysis of Capital Expenditure Need v Capital Financing Allocated



The above graph shows the amount of capital expenditure needed over the lifetime of the business plan and the necessary funding allocated. The graph shows that there is sufficient funding available to meet the needs of the programme.

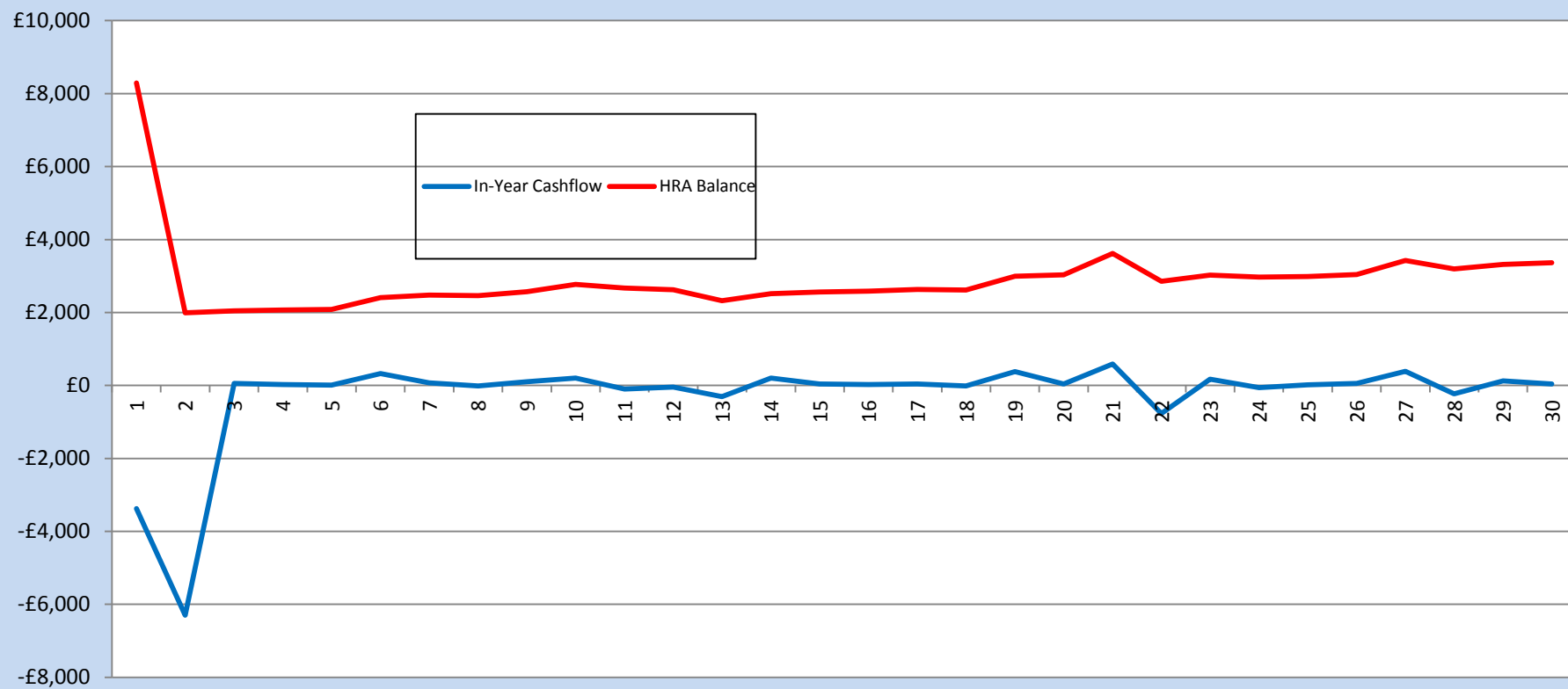
Analysis of HRA Debt Profile



The above graph shows the level of debt required to enable the full programme to be delivered. The debt increases up to year 15 to support the period of new build delivery and then steadily reduces as loans start to mature.

Analysis of HRA Cash Flow over life of Business Plan

Page 139



The above graph shows that the HRA balance is maintained above the minimum required balance of £2m throughout the life of the plan. Balances slowly begin to accrue within the HRA from year 18 (2037/38), when the new build expenditure has ceased and the loan portfolio begins to mature. This includes the repayment of the modelled additional loans.

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This report will be made public on 11 February 2020.



Report Number **A/19/24**

To: Council
Date: 19 February 2019
Status: Non- Executive Decision
Head of Paid Service: Susan Priest

SUBJECT: COMMITTEE MEMBERSHIP CHANGES

SUMMARY: Under the Folkestone and Hythe District Council Constitution, Part 8.1 'Delegation to Officers', paragraph 3.18, the Head of Paid Service is authorised to make appointments to committees or sub-committees at the request of the relevant political group leader. This report sets out the appointments made, under these powers, on the instruction of both the Green and Liberal Democrat Group Leaders, following the changes to Cabinet on 1 February 2020.

REASONS FOR RECOMMENDATIONS:

The Council is asked to agree the recommendation set out below because the Constitution requires any committee membership changes to be reported to the next available meeting of the Council.

RECOMMENDATION:

To receive and note report A/19/24.

1 INTRODUCTION

- 1.1 Under the Folkestone and Hythe District Council Constitution, Part 8.1 'Delegation to Officers', paragraph 3.18, the Head of Paid Service is authorised to make appointments to committees or sub-committees, at the request of the relevant political group leader, subject to the conditions that (a) the appointed member shall be a replacement for a committee or sub-committee member from the same political group, or the appointee is to fill a vacant seat on the committee/sub-committee allocated to the political group of which he/she is a member and (b) the changes shall be reported to the next available meeting of the Council. This delegation is only exercisable in respect of councillors who are members of a political group.
- 1.2 This report sets out the appointments made, with effect from 1 February 2020.

2. APPOINTMENTS TO COMMITTEES/SUB-COMMITTEES

The following appointments to committees/sub-committees have been made:

Committee/ Sub-Committee	Previous Committee Member	New Committee Member
Overview and Scrutiny Committee	Councillor Tim Prater	Councillor Gary Fuller
Overview and Scrutiny Committee	Councillor Lesley Whybrow	Councillor John Wing
Audit and Governance Committee	Councillor Lesley Whybrow	Councillor Rebecca Shoob

3 LEGAL, FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

3.1 Legal Officer's comments (AK)

There are no legal issues arising from this report.

3.2 Finance Officer's comments (CS)

There are no financial implications arising from this report.

3.3 Diversity and Equalities Implications (AK)

There are no diversity and equality implications arising from this report.

4 CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting:

Jemma West
Committee Services Specialist
Email: jemma.west@folkestone-hythe.gov.uk
Phone: 01303 853369

The following background documents have been relied upon in the preparation of this report: None

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This report will be made
public on 11 February
2020

Report number **A/19/25**

To: Council
Date: 19 February 2020
Status: Non-Key Decision
Corporate Director: Susan Priest, Head of Paid Service

**SUBJECT: AMENDMENT TO THE SCHEME OF DELEGATION OF
EXECUTIVE FUNCTIONS MADE BY THE LEADER OF THE COUNCIL**

SUMMARY: Under the Council's constitution (part 6, para 1.4.1) the Leader of the Council decides on the delegation of cabinet functions. The Leader may amend the delegations at any time by giving written notice to the Head of the Paid Service. Where such a notice is received the Head of the Paid Service must submit a report on the amendments to the next ordinary meeting of the Council. This report sets out the amendments made by the Leader.

REASON FOR RECOMMENDATIONS:

The Head of Paid Service must advise Council of any amendments to the Leaders delegations.

RECOMMENDATIONS:

1. To receive and note report A/19/25.

1. INTRODUCTION

- 1.1 Under the Council's constitution the Leader of the Council decides on the delegation of cabinet functions. The Leader may amend the delegations at any time by giving written notice to the Head of the Paid Service. Where such a notice is received the Head of the Paid Service must submit a report on the amendments to the next ordinary meeting of the Council.
- 1.2 The leader has amended the scheme of delegations in terms of Cabinet Membership, and has appointed Councillors Prater and Whybrow to his Cabinet, with the portfolios referred to below:
- Councillor Tim Prater - Cabinet Member for Revenues, Benefits, Anti-Fraud and Corruption
 - Councillor Lesley Whybrow - Cabinet Member for the Environment
- 1.3 The Leader will also be taking on the responsibility of the following, in light of the resignation from Cabinet of Councillor Ian Meyers:

Information technology, information access and security, RIPA. Customer service.

2. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

2.1 Legal officer's comments (AK)

There are no legal implications arising directly from this report.

2.2 Finance officer's comments

There are no financial implications arising from this report.

2.3 Diversities and equalities implications

No implications arising directly from this report.

3. CONTACT OFFICER AND BACKGROUND DOCUMENTS

Councillors with any questions arising from this report should contact the following officer prior to the meeting:

Amandeep Khroud, Head of Democratic Services and Law

Telephone: 01303 853253

Email: amandeep.khroud@folkestone-hythe.gov.uk

The following background documents have been relied upon in the preparation of this report:

None